FORBEARANCE AGREEMENT AND EIGHTH AMENDMENT TO SECOND LIEN CREDIT AGREEMENT

This FORBEARANCE AGREEMENT AND EIGHTH AMENDMENT TO SECOND LIEN CREDIT AGREEMENT (this "Agreement") is dated as of December 19, 2008 and is entered into by and among PACIFIC ENERGY ALASKA OPERATING LLC, as Borrower ("Borrower"), PACIFIC ENERGY ALASKA HOLDINGS, LLC, as Holdings ("Holdings"), the other LOAN PARTIES listed on the signature pages hereto, CERTAIN FINANCIAL INSTITUTIONS listed on the signature pages hereto (the "Lenders"), and is made with reference to that certain SECOND LIEN CREDIT AGREEMENT, dated as of August 24, 2007 (as amended through the date hereof, the "Credit Agreement"), by and among Borrower, Holdings, SILVER POINT FINANCE, LLC ("Silver Point"), as administrative agent and collateral agent (together with its permitted successor in such capacities, "Agent"), and J. ARON & COMPANY ("J. Aron"), as documentation agent, and the lenders party thereto. Capitalized terms used herein without definition shall have the same meanings herein as set forth in the Credit Agreement after giving effect to this Agreement.

RECITALS

A. As of the date hereof, the Events of Default identified as "Current Defaults" on Exhibit A hereto have occurred and are continuing (collectively, the "Current Defaults") and the Events of Default identified as "Anticipated Defaults" on Exhibit A hereto are expected to occur prior to the expiration of the Forbearance Period (as hereinafter defined) (collectively, the "Anticipated Defaults," and together with the Current Defaults, the "Specified Defaults").

B. Borrower has requested that during the Forbearance Period (as hereinafter defined), Agent and Lenders agree to forbear from exercising certain of their default-related rights and remedies against Borrower and the other Loan Parties with respect to the Specified Defaults, notwithstanding the existence of the Specified Defaults and subject to the terms and conditions set forth herein.

C. Subject to the terms and conditions set forth herein, the Lenders and Agent have agreed to (a) forbear from exercising certain of their default-related rights and remedies against Borrower and the other Loan Parties with respect to the Specified Defaults during the Forbearance Period and (b) amend the Credit Agreement in certain respects as set forth below.

NOW, THEREFORE, in consideration of the foregoing, the terms, covenants and conditions contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

SECTION 1. Definitions. As used herein, the following terms shall have the respective meanings set forth below:

"Claims" shall mean any and all claims (including, without limitation, crossclaims, counterclaims, rights of set-off and recoupment), actions, causes of action, suits, debts, accounts, interests, liens, promises, warranties, damages and consequential damages, demands, agreements, bonds, bills, specialties, covenants, controversies, variances, trespasses, judgments, executions, costs or expenses whatsoever.

"Forbearance Default" shall mean (A) the occurrence of any Event of Default other than the Specified Defaults, (B) the failure of Borrower or any other Loan Party to timely comply (subject to any applicable grace period) with any term, condition, or covenant set forth in this Agreement, (C) the failure of any representation or warranty made by Borrower or any other Loan Party under or in connection with this Agreement to be true and complete as of the date when made or any other breach of any such representation or warranty, or (D) any occurrence of a Material Adverse Effect.

"Forbearance Effective Date" shall have the meaning specified in Section 20.

"Forbearance Period" shall mean the period beginning on the Forbearance Effective Date and ending on the earliest to occur of (the occurrence of clause (i), (ii) or (iii), a "Forbearance Termination Event"): (i) a Forbearance Default, (ii) 9:00 a.m. (eastern time) on February 2, 2009 and (iii) a Forbearance Termination Event (as defined in the PERL Forbearance Agreement on the date hereof or as amended with the consent of the Required Lenders under the Credit Agreement).

"Indemnification Agreement" means that certain Indemnification Agreement, effective as of the Forbearance Effective Date, by and between Borrower and certain affiliates of the Lenders.

"Organizational Documents" shall mean (i) with respect to any corporation, its certificate or articles of incorporation or organization, as amended, and its by-laws, as amended, (ii) with respect to any limited partnership, its certificate of limited partnership, as amended, and its partnership agreement, as amended, (iii) with respect to any general partnership, its partnership agreement, as amended; and (iv) with respect to any limited liability company, its articles of organization, as amended, and its operating agreement, as amended. In the event any term or condition of this Agreement or any other Loan Document requires any Organizational Document to be certified by a secretary of state or similar governmental official, the reference to any such "Organizational Document" shall only be to a document of a type customarily certified by such governmental official.

"PERL Entities" shall mean Pacific Energy and its subsidiaries, other than Holdings, Borrower and any Subsidiary.

"Releasees" shall mean any or all of the Agent and Lenders and their respective affiliates, subsidiaries, shareholders and "controlling persons" (within the meaning of the federal securities laws), and their respective successors and assigns and each and all of the officers, directors, partners, employees, agents, attorneys and other representatives of each of the foregoing in their respective capacities as such.

"Releasors" shall mean each of Pacific Energy, Borrower and the other Loan Parties, on behalf of themselves and their respective agents, representatives, officers, directors, advisors, employees, subsidiaries, affiliates, successors and assigns.

"Representatives" shall mean Agent's employees, agents, representatives, advisors, consultants and financing sources (including any investment banker, financial advisor, accountant, legal counsel, agent, representative or expert retained by or acting on behalf of Agent).

Unless otherwise defined above or elsewhere in this Agreement, capitalized terms used herein shall have the meanings ascribed to them in the Credit Agreement (as hereby amended).

SECTION 2. Confirmation by Borrower of Obligations and Specified Defaults.

(a) Borrower and each other Loan Party acknowledges and agrees that as of December 19, 2008, (i) the principal balance of the outstanding Tranche B-1 Loans under the Credit Agreement is $211,813,814.36 (which amount includes all accrued interest on the outstanding Loans that has been capitalized into the Loans), the accrued interest on the outstanding Tranche B-1 Loans is $10,976,990.50, and the per diem interest on the Tranche B-1 Loans for each day after December 19, 2008 is $151,621.52 and (ii) the principal balance of the outstanding Tranche B-2 Loans under the Credit Agreement is $94,308,012.23 (which amount includes all accrued interest on the outstanding Loans that has been capitalized into the Loans), the accrued interest on the outstanding Tranche B-2 Loans is $4,887,396.78, and the per diem interest on the Tranche B-2 Loans for each day after December 19, 2008 is $67,507.99.

(b) The foregoing principal and interest balance of the outstanding Loans does not include fees, expenses and other amounts which are chargeable or otherwise reimbursable under the Credit Agreement and the other Loan Documents. All of the Loan Document Obligations, including those set forth above, are currently valid and outstanding, and none of Borrower and the other Loan Parties have any rights of offset, defenses, claims or counterclaims with respect to any of the Loan Document Obligations.

(c) Borrower and each other Loan Party acknowledges and agrees that (i) each of the Specified Defaults constitutes an Event of Default that has occurred and is continuing as of the date hereof or is expected to occur during the Forbearance Period, as the case may be, (ii) none of the Current Defaults has been cured as of the date hereof and none of the Anticipated Defaults are expected to be cured during the Forbearance Period, and (iii) except for the Specified Defaults, no other Events of Default have occurred and are continuing as of the date hereof, or are expected to occur during the Forbearance Period, as the case may be. Prior to the effectiveness of this Agreement, each of the Current Defaults (and each Anticipated Default upon its occurrence): (i) relieves the Lenders from any obligation to extend any Loan or provide other financial accommodations under the Credit Agreement or other Loan Documents (including consenting to Borrower's use of cash collateral) and (ii) permits the Lenders to, among other things, (A) suspend or terminate any commitment to provide Loans or make other extensions of credit under any or all of the Credit Agreement and the other Loan Documents, (B) accelerate all or any portion of the Loan Document Obligations, (C) charge the default rate in accordance with Section 2.06 of the Credit Agreement with respect to any and all of the Loan Document Obligations, (D) commence any legal or other action to collect any or all of the Loan Document Obligations from Borrower, any other Loan Party and/or any Collateral, (E) foreclose or otherwise realize on any or all of the Collateral, and/or appropriate, set-off and apply to the payment of any or all of the Loan Document Obligations, any or all of the Collateral, and/or (F) take any other enforcement action or otherwise exercise any or all rights and remedies provided for by any or all of the Credit Agreement, the other Loan Documents or applicable law.

SECTION 3. **Amendments to Credit Agreement.** Effective as of the Forbearance Effective Date, and regardless of whether a Forbearance Default occurs at any time thereafter, the following terms and conditions of the Credit Agreement shall be amended as follows:

(a) **Amendments to Section 1.01.**

(i) The defined term "Affiliate" is hereby amended by inserting the following sentence at the end thereof: "Notwithstanding the foregoing, neither the Agent, the Administrative Agent, the Lenders, the Hedge Provider (as those terms are defined in this Agreement, the 2006 PERL Credit Agreement and the First Lien Credit Agreement), nor any of their respective Affiliates, shall be considered Affiliates of any Loan Party for purposes of this Agreement."

(ii) The defined term "Alternate Base Rate" is hereby amended by replacing the word "and" after clause (a) in the first sentence with a comma, and inserting the following immediately following the phrase immediately after clause (b) "and (c) 5.75%".

(iii) The defined term "Applicable Percentage" is hereby deleted in its entirety and replaced with the following:

"***Applicable Percentage***" shall mean the per annum rate equal to (i) in the case of Eurodollar Loans, 18.50% or (ii) in the case of ABR Loans, 17.50%.

(iv) The defined term "Carneros Entity" is hereby amended (x) deleting the word "collectively," and replacing it with the words "any of" and (y) deleting the word "and" and replacing it with "or".

(v) The defined term "Closing Date" is hereby deleted in its entirety and replaced with the following:

"***Closing Date***" shall mean August 24, 2007.

(vi) The defined term "Intercompany Services Agreement" is hereby amended by deleting the words "or (b)" and replacing them with ", (b) the Intercompany Operating Agreement dated May 20, 2008 by and between Borrower and Pacific Energy, or (c)".

(vii) The defined term "Interest Period" is hereby amended by deleting the words "three months" and replacing them with the words "one month".

(viii) The defined term "LIBO Rate" is hereby amended by inserting the following immediately following the phrase "shall mean, with respect to any Eurodollar Borrowing for any Interest Period":

"the greater of (x) 4.00% and (y)".

(ix) The defined term "Material Contract" is hereby deleted in its entirety and replaced with the following:

"***Material Contract***" means (a) prior to the Forbearance Effective Date, the contracts listed on Schedule 3.24, and from and after the Forbearance Effective Date, the contracts listed on Schedule 3.24A and (b) any other contract or other arrangement to which Pacific Energy or any of its subsidiaries is a party (other than the Loan Documents, the First Lien Loan Documents and the Transaction Documents (as such term is defined in the 2006 PERL Credit Agreement)) for which breach, nonperformance, cancellation or failure to renew (in the case of contracts or arrangements that are, by their terms, renewable at the option of Pacific Energy or any of its subsidiaries) could reasonably be expected to have a Material Adverse Effect.

(x) The following terms are added in appropriate alphabetical order:

"***Carneros Purchase and Sale Agreement***" shall mean that certain Purchase and Sale Agreement, dated May 15, 2008 (as amended, restated, supplemented or otherwise modified from time to time), among Pacific Energy, Carneros Energy, Inc., Gotland, Occidental of Elk Hills, Inc. and Vintage Production California LLC.

"***Chevron Conveyances***" shall mean all conveyances of interests granted by Borrower in connection with the Forbearance Agreement, the First Lien Forbearance Agreement and the PERL Forbearance Agreement representing an aggregate of 0.02% of the Chevron Operated Assets, which interests are subject to deeds of trust under each of the Credit Agreement and the First Lien Credit Agreement, as amended by the Forbearance Agreement and the First Lien Forbearance Agreement.

"***Chevron Operated Assets***" shall mean all of the Borrower's assets and other interests in or associated with the Trading Bay Unit, Alaska.

"***Chevron Production Liens***" shall mean unit operator liens pursuant to Section 19.5 of Trading Bay Unit Operating Agreement, entered into as of February 27, 1967 (as has been or may be further amended, restated, supplemented or otherwise modified from time to time).

"***First Lien Forbearance Agreement***" shall mean that certain Forbearance Agreement and Seventh Amendment to the First Lien Credit Agreement, dated as of December 19, 2008, among Pacific Energy, Holdings, Borrower and the other loan parties party thereto and the lenders, hedge provider and agent party thereto.

"***Forbearance Agreement***" shall mean the Forbearance Agreement and Eighth Amendment to the Second Lien Credit Agreement, dated as of December 19, 2008, among Holdings, Borrower, the other Loan Parties, the Agent and the Lenders party thereto.

"***Forbearance Effective Date***" shall have the meaning set forth in Section 20 of the Forbearance Agreement.

"***Forbearance Period***" shall have the meaning set forth in Section 1 of the Forbearance Agreement.

"***Forbearance Termination Event***" shall have the meaning set forth in Section 1 of the Forbearance Agreement.

"***Gotland***" shall mean Gotland Oil, Inc., a Texas corporation.

"***Interim Forbearance Budget***" shall have the meaning set forth in Section 5(e) of the Forbearance Agreement.

"***OXY Indemnification Obligations***" shall mean any obligations for indemnification incurred by Pacific Energy, Carneros Energy, Inc. or Gotland under the Wilmington Purchase and Sale Agreement or the Carneros Purchase and Sale Agreement.

"***PERL Forbearance Agreement***" shall mean the Forbearance and Eighth Amendment to Credit and Guaranty Agreement, dated as of December 19, 2008, by Pacific Energy and certain of its subsidiaries, and the administrative agent, hedge provider and lenders party thereto.

"***Proposed Asset Sale***" shall have the meaning set forth in Section 5.04(q).

"***Wilmington Purchase and Sale Agreement***" shall mean that certain Purchase and Sale Agreement, dated May 15, 2008, among Pacific Energy, Petrocal Acquisition Corp. and Oxy Long Beach, Inc.

(b) **Amendment to Section 2.05.**

(i) Section 2.05(d) is hereby amended by deleting the second proviso after first sentence thereof in its entirety and replacing it with the following:

"; provided further that (i) any interest payment that would otherwise be due and payable on any Interest Payment Date that is October 31, 2008 or November 30, 2008 shall instead be due and payable on the Forbearance Effective Date and all accrued and unpaid interest as of such date shall be capitalized and added into the principal outstanding amount of the Loans on the Forbearance Effective Date (ii) any interest payment that would otherwise be due on any Interest Payment Date that is December 31, 2008 or January 31, 2009 to the extent such date occurs prior to a Forbearance Termination Event shall instead be due and payable on the on the occurrence of a Forbearance Termination Event, (iii) any interest payment that would otherwise be due on the last day of an Interest Period occurring on or after the Forbearance Effective Date shall instead be due and payable on the occurrence of a Forbearance Termination Event, and (iv) Borrower shall pay on the occurrence of a Forbearance Termination Event all accrued and unpaid interest due under Section 2.06 during the period from and including the Forbearance Effective Date until but excluding the date on which a Forbearance Termination Event occurs."

(ii) Section 2.05(e)(iii) is hereby deleted in its entirety and replaced with the following:

"(iii) from but excluding the date which is the twelve-month anniversary of the Closing Date to and including the date that is the Forbearance Effective Date, accrued interest is payable in cash on any Loans except that accrued interest which exceeds the Adjusted LIBO Rate plus 10.5% per annum (or in the case of ABR Loans, exceeds the Alternate Base Rate plus 9.5% per annum) shall, to the extent of such excess, be added to the outstanding principal amount of the Loans, as of the last day of each fiscal quarter and (z) from but excluding the date which is the Forbearance Effective Date, accrued interest is payable in cash on any Loans except that accrued interest which exceeds the Adjusted LIBO Rate plus 10.5% per annum (or in the case of ABR Loans, exceeds the Alternate Base Rate plus 9.5% per annum) shall, to the extent of such excess, be added to the outstanding principal amount of the Loans, as of the last day of each fiscal month".

(c) **<u>Amendments to Section 2.21.</u>**

(i) Section 2.21(a)(ii) is hereby deleted in its entirety and replaced with the following:

"(ii) Borrower shall deposit or cause to be transferred to and deposited into the Collateral Account all cash revenues and cash receipts of Borrower and any Subsidiary from any source or activity from and after the Closing Date through the Maturity Date. On Monday of each week (or if such day is not a Business Day, on the next succeeding Business Day, in each case subject to a 24-hour grace period), or within one (1) Business Day following Borrower's receipt of a written request of the Agent, Borrower shall deposit or cause to be transferred to and deposited into the Collateral Account all cash of each of Holdings, the Borrower and each of their subsidiaries (other than cash of Holdings, the Borrower or any of their subsidiaries representing proceeds of New Term Loans (as defined in the 2006 PERL Credit Agreement) advanced to such person, which shall be applied as set forth in the 2006 PERL Credit Agreement) located in any deposit account in excess of $250,000 (after accounting for outstanding checks)."

(ii) Section 2.21(a)(iii) is hereby amended by (x) adding the words "and the Forbearance Agreement" in each instance after the words "this Agreement" appearing therein, (y) adding the words "and as contemplated under the Interim Forbearance Budget" after the word "business" in each place it appears therein and (z) adding the following at the end thereof:

"If at any time after receipt of a transfer or disbursement pursuant to this clause (iii) the Borrower shall determine that (A) the Borrower no longer intends to consummate any proposed use of funds detailed to the Agent in accordance with the Interim Forbearance Budget or (B) the funds received by Holdings, the Borrower or any of their subsidiaries exceed the actual cost of any such proposed use (each an "***Over-Allocation Event***"), then within two Business Days following such Over-Allocation Event, the Borrower shall transfer the amount of funds not used in accordance with the proposed use of funds from the Borrower's operating account to the Collateral Account."

(iii) Section 2.21(iv) is hereby deleted in its entirety and replaced with the following:

"(iv) Except as provided in clause (v) below and except as contemplated in the Interim Forbearance Budget, all amounts in the Collateral Account shall be applied in the following order of priority as and when the same are due and payable:

(a) Direct Taxes on Real Properties or the production of Hydrocarbons;

(b) Delay rentals and lease bonuses that are included in the APOD;

(c) ANCF LOE of Holdings and its subsidiaries;

(d) ANCF Transportation Costs of Holdings and its subsidiaries;

(e) ANCF Permitted Tax Payments of Holdings and its subsidiaries;

(f) Fees and expenses under the First Lien Loan Documents;

(g) Fees and expenses under the Loan Documents;

(h) Accrued and unpaid interest on the First Lien Loans and accrued unpaid fees under Section 2.05 of the First Lien Credit Agreement;

(i) Accrued and unpaid interest on the Loans and accrued unpaid fees under Section 2.05;

(j) Payments owing under Hedging Agreements required under the First Lien Credit Agreement;

(k) ANCF Overhead Costs of Holdings and its subsidiaries;

(l) ANCF Capital Expenditures;

(m) First Lien Obligations, to the extent permitted to be paid by the Loan Documents and the 2006 PERL Credit Agreement prior to payments on the Loan Document Obligations required or permitted to paid under the terms of the 2006 PERL Credit Agreement, the First Lien Credit Agreement and the Loan Documents; and

(n) Payments of principal on the Loans as required hereunder; and

(o) First Lien Obligations not paid pursuant to the terms of clause (m) above.

(iv) Section 2.21(a)(v) is hereby amended by inserting the words "(other than a Specified Default (as defined in the Forbearance Agreement) during the Forbearance Period)" immediately following the words "Event of Default" therein.

(d) **Amendments to Article III**.

(i) Section 3.04 is hereby amended by deleting the word "No" at the beginning thereof and replacing it with "Except as contemplated in the Forbearance Agreement, the First Lien Forbearance Agreement and the PERL Forbearance Agreement, no".

(ii) Section 3.06 is hereby amended by inserting the words "except as disclosed to each Lender in writing" before the words "no event, change or condition".

(iii) Section 3.07(b) is hereby amended by inserting the words "Other than in respect of the Specified Defaults," at the beginning of each sentence thereof.

(iv) Section 3.10 is hereby amended by (x) inserting the words "As of the Closing Date" at the beginning of clause (a) thereof and (y) deleting the words "None of" at the beginning of both the first and second sentences of subsection (b) thereof and in each case replacing them with the words "Other than the Specified Defaults (as defined in the Forbearance Agreement), none of".

(v) Section 3.13 is hereby amended by inserting the words "or for the purposes specified in the Forbearance Agreement and the Interim Forbearance Budget (as defined in the Forbearance Agreement)" before the period at the end thereof.

(vi) Section 3.15 is hereby deleted in its entirety and replaced with the following:

"SECTION 3.15 *No Material Misstatements.* None of the information, reports, financial statements, exhibits or schedules furnished by or on behalf of Pacific Energy, Holdings or Borrower to the Agent or any Lender in connection with the negotiation of any Loan Document or included therein or delivered pursuant thereto contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained therein not materially misleading in light of the circumstances under which they were made; provided that to the extent any such information, report, financial statement, exhibit or schedule was based upon or constitutes a forecast or projection, each of Pacific Energy, Holdings and Borrower represents only that it was prepared in good faith based upon (i) assumptions that were reasonable at the time made and at the time such information, report, financial statement, exhibit or schedule was furnished to the Agent or such Lender and (ii) accounting principles consistent with the accounting principles used to prepare Pacific Energy's historical audited financial statements (it being understood that projections concerning volumes attributable to the Oil and Gas Properties and production and cost estimates thereof are necessarily based upon professional opinions, estimates and projections). There is no fact known to Pacific Energy or any Loan Party (other than industry-wide risks normally associated with the types of businesses conducted by the Loan Parties) that has not been disclosed to each Lender in writing which is materially likely to cause a Material Adverse Effect. There are no statements or conclusions in any Reserve Report which are based upon or include misleading information or fail to take into account material information regarding the matters reported therein, it being understood that each Reserve Report is necessarily based upon professional opinions, estimates and projections and that neither Pacific Energy nor any Loan Party warrants that such opinions, estimates and projections will ultimately prove to have been accurate. The Borrower has heretofore delivered to each Lender true, correct and complete copies of the initial Reserve Report."

(vii) Section 3.18(a) is hereby amended to insert the words ", except with respect to any Specified Default (as defined in the Forbearance Agreement)" after the word "agreements".

(viii) Section 3.22 is hereby amended by (x) inserting the words "on the Closing Date" after the word "Loan" in the first place it appears and (y) replacing the words "each Loan" in the second place they appear with the words "each such Loan".

(ix) Section 3.24 is hereby amended by deleting the second sentence thereof in its entirety and replacing it with "Schedule 3.24A contains a true, correct and complete list of all the Material Contracts in effect on the Forbearance Effective Date. Other than any Specified Default (as defined in the Forbearance Agreement) or as described in Schedule 3.24, all such Material Contracts were (in the case of Schedule 3.24, as of the Closing Date) or are (in the case of Schedule 3.24A, as of the Forbearance Effective Date) in full force and effect and no defaults (except for any Specified Defaults (as defined in the Forbearance Agreement)) existed (in the case of Schedule 3.24, as of the Closing Date) or exist (in the case of Schedule 3.24A, as of the Forbearance Effective Date) thereunder."

(x) Section 3.26 is hereby amended by inserting "as of the Forbearance Effective Date and which is material" before the period at the end of the first sentence thereof.

(xi) Section 3.28 is hereby amended by inserting the words "and except for the Specified Defaults (as defined in the Forbearance Agreement)," after the words "Schedule 3.28".

(xii) Section 3.29 is hereby amended by inserting the words "and except for the Chevron Production Liens and related joint interest billing arrangements," after the words "Schedule 3.29" in the first sentence thereof.

(xiii) Section 3.30 is hereby amended by inserting the words "and except for the Specified Defaults (as defined in the Forbearance Agreement)," after each occurrence of the words "Schedule 3.30".

(xiv) Section 3.32 is hereby amended by inserting the words "and except for the Chevron Production Liens," after the words "Schedule 3.09".

(xv) Section 3.33 is hereby amended by inserting the words "involving aggregate payments in excess of $100,000 per year" after the text "a party to any transaction" in the first sentence thereof.

(xvi) Section 3.35 is hereby deleted in its entirety and replaced with "Intentionally omitted."

(e) **Amendment to Article V**.

(i) Section 5.03 is hereby amended by (x) inserting the words "Except in respect of the Specified Defaults (as defined in the Forbearance Agreement)" at the beginning of the first sentence thereof and (y) deleting the parenthetical "(other than Borrower or any of its Subsidiaries or Holdings)" and replacing that parenthetical with "(other than Pacific Energy or any Loan Party)".

(ii) Section 5.04 is hereby amended by (A) deleting the word "and" at the end of subsection (o) thereof, (B) replacing the period at the end of subsection (p) thereof with a semicolon and (C) adding the following new subsections (q) and (r) at the end thereof:

"(q) Use commercially reasonable efforts to cause the Broker and the Investment Banker (each as defined in the Forbearance Agreement) and the Chief Restructuring Officer, to (i) provide on a weekly basis, written reports, in form and substance satisfactory to the Lenders and (ii) attend, on a weekly basis, a call with the Lenders, in each case, discussing the progress of (x) marketing and sales efforts with respect to the proposed sale of all or substantially all of the assets and/or equity interests of Pacific Energy and its Subsidiaries (the "***Proposed Asset Sale***"), including any offers from, and the identification of, potential third party "stalking horse" purchasers and (y) bankruptcy preparations, operational procedures and cost-saving initiatives of Pacific Energy; and

(r) On Monday of each calendar week (or if such day is not a Business Day, the next succeeding Business Day, in each case subject to a 24-hour grace period), a report setting forth the aged accounts payable by Pacific Energy and a report setting forth the aged accounts payable by the Borrower, separately by entity, each in detail acceptable to Required Lenders."

(iii) Section 5.05(a) is hereby amended by inserting the words "(in each case, other than any Specified Default (as defined in the Forbearance Agreement)" after the second occurrence of the word "Default".

(iv) Section 5.05(e) is hereby amended by (A) inserting the words "(other than pursuant to its terms)" after the word "termination" and (B) inserting at the end thereof the words: "; notwithstanding the foregoing, no such notices are or shall be required to be delivered with respect to Material Contracts to which (x) each of the Agent and Lenders is a party or (y) the Agent is a party and Pacific Energy or the applicable Loan Party has authorized the Agent to provide a copy of such notice to the Lenders;".

(v) Section 5.05(f) is hereby amended by inserting the following words before the word "and": "; notwithstanding the foregoing, no such notices are or shall be required to be delivered with respect to Material Contracts to which (x) each of the Agent and Lenders are party or (y) the Agent is a party and Pacific Energy or the applicable Loan Party has authorized the Agent to provide a copy of such notice to the Lenders."

(vi) Section 5.08 is hereby amended by inserting the words "and as contemplated by the Forbearance Agreement and Interim Forbearance Budget (as defined in the Forbearance Agreement)" before the period at the end thereof.

(vii) Section 5.14 is hereby amended by inserting the words "Except as is contemplated by the Derivative Transaction Agreements (as defined in the PERL Forbearance Agreement and the First Lien Forbearance Agreement) or as may be otherwise requested by the Lenders from time to time," at the beginning of the first sentence thereof.

(f) **Amendment to Article VI**. Section 6.01(d) is hereby amended by adding the following proviso at the end thereof: "*provided further*, that (x) notwithstanding anything in this Section 6.01(d) to the contrary, Indebtedness of the Borrower to Pacific Energy pursuant to that certain Intercompany Promissory Note (the "***Intercompany Note***") dated as of and as in effect on the Forbearance Effective Date shall be permitted and (y) the Intercompany Promissory Note shall not be amended, supplemented or otherwise modified without the consent of the Required Lenders."

(g) **Amendments to Article VII**. Article VII is hereby amended by adding the following new subsection (r) immediately following clause (q) thereof:

"(r) a Forbearance Default (as defined in the PERL Forbearance Agreement and the Second Lien Forbearance Agreement);"

(h) **Amendment to Article IX**.

(i) Section 9.07 is hereby amended by inserting the words "(other than, during the Forbearance Period, a Specified Default (as defined in the Forbearance Agreement))" after the words "Event of Default".

(ii) Section 9.18 is hereby amended by adding a new Section 9.18(e) immediately following Section 9.18(d):

"(e) Subject to terms and conditions of Section 5(g) of the Forbearance Agreement, Borrower may repurchase from the Lenders the Chevron Operating Assets that were the subject of the Chevron Conveyances for [redacted]." [dollars redacted]

(i) **Amendments to Schedules.** Schedule 3.24A (Material Contracts) in the form attached hereto is hereby added to the Credit Agreement. Schedule 3.09 (Litigation, Compliance with Laws) and Schedule 3.33 (Insider Interests) in the forms attached hereto hereby replace the current Schedules 3.09 and 3.33, respectively.

SECTION 4. Forbearance; Forbearance Default Rights and Remedies.

(a) Effective as of the Forbearance Effective Date, each of the Lenders agrees that until the expiration or termination of the Forbearance Period, it will forbear from exercising its default-related rights and remedies against Pacific Energy, Borrower or any other Loan Party solely with respect to the Specified Defaults; provided, however, (i) the Lenders shall have no obligation to make any further Loans or other extensions of credit to Borrower or any other Loan Party and all Loan Document Obligations shall continue to bear interest at the default rate set forth in Section 2.06 of the Credit Agreement, (ii) except as provided in this Agreement, the PERL Forbearance Agreement and the First Lien Forbearance Agreement, Borrower and each other Loan Party shall comply with all limitations, restrictions or prohibitions that would otherwise be effective or applicable under the Credit Agreement (as amended hereby) or any of the other Loan Documents or the Hedging Contracts during the continuance of any Event of Default, including, without limitation, any limitations, restrictions or prohibitions against payments by (w) Borrower or any other Loan Party, (x) any Affiliate of Borrower or any other Loan Party, and (y) any direct or indirect owner of an equity interest in Borrower, any other Loan Party or any Affiliate of any of the foregoing, (iii) nothing herein shall restrict, impair or otherwise affect any Lender's rights and remedies under any agreements (including, without limitation, the Subordinated Seller Note) containing subordination provisions in favor of any or all of the Agent and Lenders (including, without limitation, any rights or remedies available to the Agent or Lenders as a result of the occurrence or continuation of any Specified Default) or amend or modify any provision thereof, and (iv) nothing herein shall restrict, impair or otherwise affect Agent's right to file, record, publish or deliver a notice of default or document of similar effect under any state foreclosure law upon the occurrence of a Forbearance Termination Event. Any Forbearance Default shall constitute an immediate Event of Default under the Credit Agreement and the other Loan Documents.

(b) Upon the occurrence of a Forbearance Termination Event, the agreement of the Lenders hereunder to forbear from exercising their respective default-related rights and remedies solely with respect to the Specified Defaults shall immediately terminate without the requirement of any demand, presentment, protest, or notice of any kind, all of which Borrower and the other Loan Parties each waives. Each of the Borrower and the other Loan Parties agrees that any or all of the Lenders may at any time after a Forbearance Termination Event proceed to exercise any and all of their respective rights and remedies under any or all of the Credit Agreement (as amended hereby), any other Loan Document and/or applicable law, including, without limitation, their respective rights and remedies with respect to the Specified Defaults. Without limiting the generality of the foregoing, upon the occurrence of a Forbearance Termination Event, the Lenders may, in their sole discretion and without the requirement of any demand, presentment, protest, or notice of any kind, (i) suspend or terminate any commitment to provide Loans or other extensions of credit under any or all of the Credit Agreement and other Loan Documents, (ii) continue to charge interest on any or all of the Loan Document Obligations at the default rate set forth in Section 2.06 of the Credit Agreement and require payment thereof on demand, (iii) commence any legal or other action to collect any or all of the Loan Document Obligations from Borrower or any other Loan Party, (iv) foreclose or otherwise realize on any or all of the Collateral, and/or appropriate, setoff or apply to the payment of any or all of the Loan Document Obligations, any or all of the Collateral, and (v) take any other enforcement action or otherwise exercise any or all rights and remedies provided for by any or all of the Credit Agreement, any other Loan Documents and/or applicable law, all of which rights and remedies are fully reserved by the Lenders, in the case of clauses (i) through (v), as and to the extent provided in the Loan Documents or under applicable law.

(c) Any agreement by the Lenders to extend the Forbearance Period, if any, must be set forth in writing and signed by a duly authorized signatory of each of the Lenders.

(d) Borrower and the other Loan Parties each acknowledges that the Lenders have not made any assurances concerning any possibility of an extension of the Forbearance

Period or the waiver of any Forbearance Default and the Lenders may decide to do so (or not do so) in their sole discretion.

(e) The parties hereto agree that the running of all statutes of limitation or doctrine of laches applicable to all claims or causes of action that any Lender may be entitled to take or bring in order to enforce its rights and remedies against Borrower or any other Loan Party is, to the fullest extent permitted by law, tolled and suspended during the Forbearance Period.

(f) Borrower and the other Loan Parties each acknowledges and agrees that any Loan or other financial accommodation which any Lender makes on or after the Forbearance Effective Date has been made by such Lender in reliance upon, and is consideration for, among other things, the general releases and indemnities contained in Section 6 hereof and the other covenants, agreements, representations and warranties of Borrower and the other Loan Parties hereunder.

SECTION 5. <u>Supplemental Terms, Conditions and Covenants During the Forbearance Period.</u>

The parties hereto hereby agree to comply with the following terms, conditions and covenants during the Forbearance Period and, unless otherwise expressly specified herein, at all times thereafter (until the termination of the Credit Agreement pursuant to the terms therein), in each case notwithstanding any provision to the contrary set forth in this Agreement, the Credit Agreement or any other Loan Document.

(a) **<u>Engagement of Consultant by Agent</u>**. The Lenders acknowledge that the Interim Forbearance Budget does not include fees and expenses contemplated by Section 5(a) of the PERL Forbearance Agreement and agree that the Interim Forbearance Budget will be revised to accommodate such fees and expenses.

(b) **<u>Post-Default Rate</u>**. Borrower and the Lenders acknowledge and agree that as a result of the existence of Events of Default, all Loan Document Obligations commenced bearing interest at the default rate set forth in Section 2.06 of the Credit Agreement as of March 22, 2008 and continue to bear interest at such default rate. The incremental additional interest accrued prior to the Forbearance Effective Date and arising from the imposition of the default rate set forth in the preceding sentence and (i) accrued through September 30, 2008 has been capitalized and added to the principal balance of the Loans as of such date and (ii) accrued after September 30, 2008 and prior to the Forbearance Effective Date shall be capitalized and added into the principal outstanding amount of the Loans on the Forbearance Effective Date.

(c) **<u>Interest On and During Forbearance Period</u>**. All accrued and unpaid interest as of the Forbearance Effective Date shall be capitalized and added to the principal balance of the Loans as of the Forbearance Effective Date. Any and all interest in respect of the Loan Document Obligations shall continue to accrue interest during the Forbearance Period at the default rate set forth in Section 2.06 of the Credit Agreement and shall be paid in accordance with Section 2.05(d) of the Credit Agreement.

(d) **General Cooperation from Borrower's Board and Advisors**. Each of Borrower and the other Loan Parties shall, and shall use commercially reasonable efforts to cause its officers, directors, employees and advisors to cooperate fully with Agent, including, without limitation, in furnishing information as and when reasonably requested by Agent or any Lender regarding the Collateral or Borrower's or any other Loan Party's financial affairs, finances, financial condition, business and operations and each of Pacific Energy and the Loan Parties agree that the Agent may share such information with the Consultant and Agent's other professional advisors. Borrower and each other Loan Party authorizes Agent, each of the Lenders, the Consultant and such other advisors to meet and/or have discussions with any of their officers, directors, employees and advisors from time to time as reasonably requested by Agent to discuss any matters regarding the Collateral or Borrower's or any other Loan Party's financial affairs, finances, financial condition, business and operations, and shall direct and authorize all such persons and entities to fully disclose to Agent, the Lenders, the Consultant and such other advisors all information reasonably requested by Agent regarding the foregoing. Borrower and the other Loan Parties each waives and releases any such officer, director, employee and advisor from the operation and provisions of any confidentiality agreement with Borrower or other Loan Party, as the case may be, such that such person or entity is not prohibited from providing any of the foregoing information to Agent, the Consultant or any Lender or their respective advisors. Notwithstanding the foregoing, information believed in good faith (after consultation with legal counsel) by any Loan Party to be covered by the attorney-client privilege shall not be required to be disclosed. Any information believed in good faith (after consultation with legal counsel) by any Loan Party to be covered by the work product doctrine or otherwise believed in good faith by any Loan Party to be confidential information will be shared with the Agent, the Consultant and Lenders pursuant to the terms hereof with the understanding that such information will be kept confidential pursuant to the terms of Section 9.17 of the Credit Agreement or pursuant to a separate confidentiality agreement, as applicable.

(e) **Preparation of and Compliance with Interim Forbearance Budget**.

(i) The Interim Forbearance Budget. During the Forbearance Period, Pacific Energy and its subsidiaries will comply with the weekly expenses and disbursements and net cash flow as provided in the interim budget, provided to and approved by the Agent and the Required Lenders prior to the Forbearance Effective Date, and prepared for the period through February 2, 2009 (the "Interim Forbearance Budget") on a consolidated basis for Pacific Energy and its subsidiaries, and separately identifying revenues and expenses for Borrower and Holdings, and including an allocation for anticipated expenses of Pacific Energy's professionals.

(ii) Interim Forbearance Budget Compliance Covenants. During the Forbearance Period, Pacific Energy and each other Loan Party shall not allow (x) the payment of any expenses or disbursements other than those set forth in the Interim Forbearance Budget; provided that the sum of (A) the actual weekly expenses and disbursements for any calendar-week period plus (B) any budgeted amounts from the immediately preceding calendar week not spent during such week, may exceed the expenses and disbursements budgeted for such calendar-week period set forth in the Interim Forbearance Budget as line item "Total Operating Cash Disbursements - Excluding Professional Fees" by no more than twenty percent (20%) (it being understood that such expenses and disbursements shall not include finance charges, professional fees, expenses and disbursements for the purposes of this clause (x)), and (y) on a weekly basis, commencing with the week ended December 26, 2008, the actual cumulative net cash flow (if positive) to be less than eighty-seven and one half percent (87.5%) of the cumulative net cash flow budgeted for the Forbearance Period to the date of the calculation, as set forth in the Interim Forbearance Budget as line item "Net Cash Flow - Before Finance Charges and Professional Fees" (or greater than one hundred twelve and one-half percent (112.5%) if such cumulative Net Cash Flow – Before Finance Charges and Professional Fees for such cumulative period is negative) (the covenants referred to in clauses (x) and (y) above being herein referred to as the "Interim Forbearance Budget Covenants") (it being understood that such net cash flow shall not include finance charges, professional fees, expenses and disbursements for the purposes of this clause (y)); provided that, in the event the actual cumulative net cash flow for any period set forth in the Interim Forbearance Budget (as determined on a weekly basis) is less than eighty-seven and one-half percent (87.5%) of the net cash flow for such cumulative period as set forth in the Interim Forbearance Budget as line item "Cumulative Cash Flow - Excluding Professional Fees" solely as a result of a delay in Pacific Energy's or Borrower's receipt of lift payments during such cumulative period, the actual net cash flow shall be recalculated as of the next succeeding week and, so long as the actual cumulative net cash flow for such cumulative period (as determined for such next succeeding week) is not less than eighty-seven and one-half percent (87.5%) of the net cash flow budgeted for such cumulative period (or greater than one hundred twelve and one-half percent (112.5%) if negative), Pacific Energy and each Loan Party shall be deemed to be in compliance with this clause (y) with respect to the immediately preceding week.

(iii) Interim Forbearance Budget Compliance Certificate. Pacific Energy shall deliver on Monday (or if such day is not a Business Day, the next succeeding Business Day, in each case subject to a 24-hour grace period) of each week a report detailing compliance with the Interim Forbearance Budget for the immediately preceding calendar week, including a certificate of compliance with the Interim Forbearance Budget Covenants for such calendar week.

(f) **Access to and Reports from Broker and Investment Banker.** Holdings and Borrower shall, and shall cause the other Loan Parties to, provide open access to Albrecht & Associates (the "Broker") and the Investment Banker (as defined in the PERL Forbearance Agreement) with respect to the Proposed Asset Sale. Holdings and Borrower shall use commercially reasonable efforts to cause the Broker and the Investment Banker to (i) provide any information to the Agent and the Lenders as and when requested by the Agent or Lenders, (ii) participate in weekly conference calls with Borrower, the Agent and the Lenders and (iii) deliver weekly reports to the Agent and the Lenders, in each case, regarding the progress of the Proposed Asset Sale.

(g) **Conveyance of Chevron Operated Assets**.

(i) In connection with this Agreement, the First Lien Forbearance Agreement and the PERL Forbearance Agreement, Pacific Energy and the Borrower shall use commercially reasonable efforts to effectuate the Chevron Conveyances in favor of the applicable affiliates of the Lenders. Pacific Energy and Borrower covenant to use commercially reasonable efforts to (x) secure all consents and approvals necessary to effectuate the Chevron Conveyances and (y) record the Chevron Conveyances in all applicable jurisdictions, in each case no later than the 20th Business Day following the Forbearance Effective Date. Upon the satisfaction of all (A) Obligations under the 2006 PERL Credit Agreement (other than Obligations in respect of the Overriding Royalty Interest Conveyances, Net Profits Interest Conveyances, Warrants or registration rights obligations in connection with the Warrants, as each such item is defined in the 2006 PERL Credit Agreement) and (B) all Loan Document Obligations (other than Loan Document Obligations in respect of the ORRI Conveyances, as such terms are defined in each of the Credit Agreement and the First Lien Credit Agreement) under each of the First Lien Credit Agreement and the Credit Agreement, Borrower may repurchase the interests in the Chevron Operated Assets conveyed in the Chevron Conveyances for [redacted] Notwithstanding anything to the contrary contained in this Agreement, the First Lien Forbearance Agreement or the PERL Forbearance Agreement or the agreements and instruments entered into or delivered in connection herewith or therewith, and for the avoidance of doubt, the parties agree that Pacific Energy's and/or Borrower's failure to effectuate the Chevron Conveyances shall not constitute a Default or a Forbearance Default, provided that Pacific Energy and Borrower have used commercially reasonable efforts to effectuate the Chevron Conveyances as set forth above. [Dollars redacted]

SECTION 6. General Release; Indemnity.

(a) In consideration of, among other things, Agent's and Lenders' execution and delivery of this Agreement, the Releasors hereby forever agree and covenant not to sue or prosecute against any Releasee and hereby forever waive, release and discharge, to the fullest extent permitted by law, each Releasee from the Claims, that such Releasor now has or hereafter may have, of whatsoever nature and kind, whether known or unknown, whether now existing or hereafter arising, whether arising at law or in equity, against the Releasees, based in whole or in part on facts, whether or not now known, existing on or before the Forbearance Effective Date, that relate to, arise out of or otherwise are in connection with: (i) any or all of the Loan Documents (including this Agreement) or the transactions contemplated thereby or any actions or omissions in connection therewith or (ii) any aspect of the dealings or relationships between or among Borrower and the other Loan Parties, on the one hand, and any or all of the Agent or Lenders on the other hand, relating to any or all of the documents, transactions, actions or omissions referenced in clause (i) hereof. The receipt by Borrower or any other Loan Party of any Loans or other financial accommodations made by any Lender or its Affiliates under the Credit Agreement, the Second Lien Credit Agreement or the 2006 PERL Credit Agreement on or after the date hereof shall constitute a ratification, adoption, and confirmation by such party of the foregoing general release of all Claims against the Releasees which are based in whole or in part on facts, whether or not now known or unknown, existing on or prior to the date of receipt of any such Loans or other financial accommodations. In entering into this Agreement, Borrower and each other Loan Party consulted with, and has been represented by, legal counsel and expressly disclaims any reliance on any representations, acts or omissions by any of the Releasees (other than the terms and conditions expressly set forth herein, in this Agreement, the First Lien Forbearance Agreement and the PERL Forbearance Agreement and that certain letter agreement regarding termination of financing exclusivity and right of first refusal, dated as of the date hereof between J. Aron, Silver Point, Borrower and Holdings (such documents collectively, the "Reliance Documents")) and hereby agrees and acknowledges that the validity and effectiveness of the releases set forth above do not depend in any way on any such representations, acts and/or omissions or the accuracy, completeness or validity hereof (other than the terms and conditions expressly set forth in the Reliance Documents). The provisions of this Section shall survive the termination of this Agreement, the Credit Agreement, the other Loan Documents, and payment in full of the Loan Document Obligations.

(b) Borrower and other Loan Parties each hereby agrees that it shall be jointly and severally obligated to indemnify and hold the Releasees harmless in accordance with Section 9.06 of the Credit Agreement.

(c) Each of Borrower and other Loan Parties, on behalf of itself and its successors, assigns, and other legal representatives, hereby absolutely, unconditionally and irrevocably, covenants and agrees with and in favor of each Releasee that it will not sue (at law, in equity, in any regulatory proceeding or otherwise) any Releasee on the basis of any Claim released, remised and discharged by Borrower or any other Loan Party pursuant to this Section 6. If Borrower, any other Loan Party or any of its successors, assigns or other legal representatives violates the foregoing covenant, Borrower and other Loan Parties, each for itself and its successors, assigns and legal representatives, agrees to pay, in addition to such other damages as any Releasee may sustain as a result of such violation, all attorneys' fees and costs incurred by any Releasee as a result of such violation.

(d) To the extent that, notwithstanding the New York choice of law provisions in this Agreement and the other Loan Documents, California law is deemed to apply to the release and indemnification provisions set forth herein, Borrower and other Loan Parties each warrant, represent and agree that they are fully aware of California Civil Code Section 1542, which provides as follows:

> **SECTION 1542. GENERAL RELEASE.** A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.

Borrower and other Loan Parties each hereby knowingly and voluntarily waive and relinquish the provisions, rights and benefits of Section 1542 and all similar federal or state laws, rights, rules, or legal principles of any other jurisdiction that may be applicable herein, and any rights they may have to invoke the provisions of any such law now or in the future with respect to the Claims being released pursuant to this Section 6, and Borrower and other Loan Parties hereby agree and acknowledge that this is an essential term of the releases set forth in this Section 6. In connection with such releases, Borrower and other Loan Parties acknowledge that they are aware that they or their attorneys or others may hereafter discover claims or facts presently unknown or unsuspected in addition to or different from those which they now know or believe to be true with respect to the subject matter of the Claims being released pursuant to this Section 6. Nevertheless, it is the intention of Borrower and other Loan Parties in executing this Agreement to fully, finally, and forever settle and release all matters and all claims relating thereto, which exist, hereafter may exist or might have existed (whether or not previously or currently asserted in any action) constituting Claims released pursuant to this Section 6.

Initials of an authorized representative of each Loan Party to be bound by Section 1542 Release: ____ " ON BEHALF OF PACIFIC ENERGY AND EACH OF THE LOAN PARTIES "

SECTION 7. Representations, Warranties and Covenants of Borrower and Other Loan Parties. To induce Agent and Lenders to execute and deliver this Agreement, each of Borrower and other Loan Parties represents, warrants and covenants that:

(a) The execution, delivery and performance by each of Borrower and the other Loan Parties of this Agreement and all documents and instruments delivered in connection herewith and the Credit Agreement and all other Loan Documents have been duly authorized by such Loan Parties' respective boards of directors, members, managers or other governing board, as applicable, and this Agreement and all documents and instruments delivered in connection herewith and the Credit Agreement and all other Loan Documents (to the extent each is a party thereto) are legal, valid and binding obligations of such Loan Parties enforceable against such parties in accordance with their respective terms, except as the enforcement thereof may be subject to (i) the effect of any applicable bankruptcy, insolvency, reorganization, moratorium or similar law affecting creditors' rights generally and (ii) general principles of equity (regardless of whether such enforcement is sought in a proceeding in equity or at law);

(b) Except with respect to the Specified Defaults, each of the representations and warranties (as amended to date) contained in the Credit Agreement and the other Loan Documents is true and correct on and as of the date hereof as if made on the date hereof, except to the extent that such representations and warranties expressly relate to an earlier date, in which case such representations and warranties shall be true and correct as of such earlier date, and each of the agreements and covenants in the Credit Agreement and the other Loan Documents that remains unperformed is hereby reaffirmed with the same force and effect as if each were separately stated herein and made as of the date hereof;

(c) Neither the execution, delivery and performance of this Agreement and all documents and instruments delivered in connection herewith nor the consummation of the transactions contemplated hereby or thereby does or shall contravene, result in a breach of, or violate (i) any provision of Borrower's or any other Loan Party's Organizational Documents, (ii) any Governmental Requirement, or (iii) after giving effect to the PERL Forbearance Agreement and the First Lien Forbearance Agreement, any indenture, mortgage, deed of trust, lease, agreement or other instrument to which Borrower or any other Loan Party is a party or by which Borrower or any other Loan Party or any of their respective property is bound;

(d) As of the date hereof, except for the Current Defaults, no Event of Default has occurred or is continuing under this Agreement, the Credit Agreement or any other Loan Document. Except for the Anticipated Defaults, Borrower and the other Loan Parties do not expect any other Events of Default to occur during the Forbearance Period;

(e) The Agent's and Lenders' security interests in the Collateral continue to be valid, binding, and enforceable first-priority security interests which secure the Loan Document Obligations (subject only to Liens permitted under the Credit Agreement), and no unsatisfied tax or judgment liens are currently of record against Borrower or any other Loan Party;

(f) Except with respect to the Specified Defaults, any misrepresentation of Borrower or any other Loan Party, or any failure of any such party to comply with the covenants, conditions and agreements (with respect to any such representation, in any material respect, except to the extent that such representation is already qualified as to materiality) contained in this Agreement, the Credit Agreement, any other Loan Document or in any other agreement, document or instrument at any time executed and/or delivered by Borrower or any other Loan Party with, to or in favor of any Lender shall constitute an immediate Event of Default hereunder, under the Credit Agreement and the other Loan Documents;

(g) The recitals to this Agreement are true and correct in all material respects to the extent such recitals are within the knowledge or control of the Loan Parties;

(h) Exhibit A-1 to the Chevron Conveyances sets forth all the assets and other interests of the Borrower in, or in connection with, the Trading Bay Unit and the Chevron Conveyances will transfer an aggregate of 0.02% of such assets and other interests to certain affiliates of the Lenders upon execution and delivery thereof; and

(i) All transactions contemplated by the Carneros Purchase and Sale Agreement and the Wilmington Purchase and Sale Agreement have been consummated in accordance with their terms, and no obligations of Pacific Energy or any subsidiary remain to be paid or performed in connection with the transactions contemplated by either of those agreements, except for any OXY Indemnification Obligations and payment of purchase price adjustments.

SECTION 8. Ratification of Liability. Each of Borrower and other Loan Parties, as debtors, grantors, pledgors, guarantors, assignors, or in other similar capacities in which such parties grant liens or security interests in their properties or otherwise act as accommodation parties or guarantors, as the case may be, under the Loan Documents, hereby ratifies and reaffirms all of its payment and performance obligations and obligations to indemnify, contingent or otherwise, under each of such documents to which such party is a party (in each case, as amended hereby), and each such party hereby ratifies and reaffirms its grant of liens on or security interests in its properties pursuant to such documents to which it is a party as security for the Loan Document Obligations under or with respect to the Credit Agreement, and confirms and agrees that such liens and security interests hereafter secure all of the Loan Document Obligations, including, without limitation, all additional Loan Document Obligations hereafter arising or incurred pursuant to or in connection with this Agreement, the Credit Agreement (as amended hereby), any other Loan Document. Borrower and other Loan Parties each further agrees and reaffirms that the Loan Documents to which it is a party now apply to all Loan Document Obligations as defined in the Credit Agreement, as modified hereby (including, without limitation, all additional Loan Document Obligations hereafter arising or incurred pursuant to or in connection with this

Agreement, the Credit Agreement or any other Loan Document). Each such party (i) further acknowledges receipt of a copy of this Agreement and all other agreements, documents, and instruments executed and/or delivered by such Loan Party in connection herewith, (ii) consents to the terms and conditions of same, and (iii) agrees and acknowledges that each of the Loan Documents, as modified hereby, remains in full force and effect and is hereby ratified and confirmed. Except as expressly provided herein, the execution of this Agreement shall not operate as a waiver of any right, power or remedy of any Lender, nor constitute a waiver of any provision of any of the Loan Documents nor constitute a novation of any of the Loan Document Obligations under the Credit Agreement or other Loan Documents.

SECTION 9. Reference To and Effect Upon the Credit Agreement.

(a) Except as specifically amended hereby or as provided herein, all terms, conditions, covenants, representations and warranties contained in the Credit Agreement and other Loan Documents, and all rights of the Lenders and all of the Loan Document Obligations, remain in full force and effect. Each of Borrower and the other Loan Parties hereby confirms that the Credit Agreement and the other Loan Documents are in full force and effect and that neither Borrower nor any other Loan Party has any right of setoff, recoupment or other offset or any defense, claim or counterclaim with respect to any of the Loan Document Obligations, the Credit Agreement or any other Loan Document.

(b) Except as expressly set forth herein, the execution, delivery and effectiveness of this Agreement shall not directly or indirectly (i) create any obligation to make any further Loans or to continue to defer any enforcement action after the occurrence of any Default or Event of Default (including, without limitation, any Forbearance Default), (ii) constitute a consent or waiver of any past, present or future violations of any provisions of the Credit Agreement or any other Loan Documents, (iii) amend, modify or operate as a waiver of any provision of the Credit Agreement or any other Loan Documents or any right, power or remedy of any Lender, (iv) constitute a consent to any merger or other transaction or to any sale, restructuring or refinancing transaction, (v) constitute a course of dealing or other basis for altering any Loan Document Obligations or any other contract or instrument. Except as expressly set forth herein, each Lender reserves all of its rights, powers, and remedies under the Credit Agreement, the other Loan Documents and applicable law. All of the provisions of the Credit Agreement and the other Loan Documents (as amended through the Forbearance Effective Date), including, without limitation, the time of the essence provisions, are hereby reiterated, and (except for matters expressly waived in any prior written waiver to any Loan Document, to the extent such waiver remains in full force and effect) if ever waived, are hereby reinstated.

(c) From and after the Forbearance Effective Date, (i) the term "Agreement" in the Credit Agreement, and all references to the Credit Agreement in any Loan Document shall mean the Credit Agreement, as amended by, among things, this Agreement, and (ii) the term "Loan Documents" in the Credit Agreement and the other Loan Documents shall include, without limitation, this Agreement and any agreements, instruments and other documents executed and/or delivered by any Loan Party in connection herewith.

(d) No Lender has waived, is by this Agreement waiving, and has no intention of waiving (regardless of any delay in exercising such rights and remedies), any Default or Event of Default which may be continuing on the date hereof or any Event of Default which may occur after the date hereof (whether the same or similar to the Specified Defaults or otherwise), and no Lender has agreed to forbear with respect to any of its rights or remedies concerning any Events of Default (other than, during the Forbearance Period, the Specified Defaults solely to the extent expressly set forth herein), which may have occurred or are continuing as of the date hereof, or which may occur after the date hereof.

(e) Borrower and each other Loan Party each agrees and acknowledges that the Lenders' agreement to forbear from exercising certain of their default-related rights and remedies with respect to the Specified Defaults during the Forbearance Period does not in any manner whatsoever limit any Lender's right to insist upon strict compliance by Borrower and the other Loan Parties with the Credit Agreement, this Agreement or any other Loan Document during the Forbearance Period, except as expressly set forth herein.

(f) This Agreement shall not be deemed or construed to be a satisfaction, reinstatement, novation or release of the Credit Agreement or any other Loan Document.

SECTION 10. **Costs and Expenses**. In addition to (to the extent not otherwise provided in the Credit Agreement), and not in lieu of, the terms of the Credit Agreement and other Loan Documents relating to the reimbursement of the Agent's and Lenders' fees and expenses, Borrower shall reimburse Agent and the other Lenders, as the case may be, promptly on demand for all actual fees, costs, charges and expenses, including the fees, costs and expenses of counsel and other expenses, incurred in connection with this Agreement and the other agreements and documents executed and/or delivered in connection herewith. For the avoidance of doubt, all such fees, costs, charges and expenses shall constitute "Loan Document Obligations" under the Credit Agreement and are entitled to all the benefits of the Loan Document Obligations thereunder and are secured by the Collateral.

SECTION 11. **Governing Law; Consent to Jurisdiction and Venue**. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF NEW YORK WITHOUT GIVING EFFECT TO ITS PRINCIPLES OR RULES OF CONFLICTS OF LAW TO THE EXTENT SUCH PRINCIPLES OR RULES WOULD REQUIRE OR PERMIT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION. BORROWER AND EACH LOAN PARTY CONSENTS AND AGREES THAT THE STATE AND FEDERAL COURTS LOCATED IN NEW YORK SHALL HAVE EXCLUSIVE JURISDICTION TO HEAR AND DETERMINE ANY CLAIMS OR DISPUTES BETWEEN ANY OR ALL OF THE LOAN PARTIES AND THE LENDERS PERTAINING TO THIS AGREEMENT OR ANY MATTER ARISING OUT OF OR OTHERWISE RELATING TO THIS AGREEMENT; PROVIDED, THAT THE PARTIES HERETO ACKNOWLEDGE THAT ANY APPEALS FROM THOSE COURTS MAY HAVE TO BE HEARD BY A COURT LOCATED OUTSIDE OF NEW YORK; AND PROVIDED FURTHER, THAT NOTHING IN THIS AGREEMENT SHALL BE DEEMED OR OPERATE TO PRECLUDE ANY LENDER FROM BRINGING SUIT OR TAKING OTHER LEGAL ACTION IN ANY OTHER JURISDICTION TO COLLECT THE LOAN

DOCUMENT OBLIGATIONS, TO REALIZE ON THE COLLATERAL OR ANY OTHER SECURITY FOR THE LOAN DOCUMENT OBLIGATIONS, OR TO ENFORCE ANY JUDGMENT OR OTHER COURT ORDER IN FAVOR OF SUCH LENDER. BORROWER AND EACH LOAN PARTY EXPRESSLY SUBMITS AND CONSENTS IN ADVANCE TO SUCH JURISDICTION IN ANY ACTION OR SUIT COMMENCED IN ANY SUCH COURT, AND WAIVES ANY OBJECTION WHICH IT MAY HAVE BASED ON LACK OF PERSONAL JURISDICTION, IMPROPER VENUE OR FORUM NON CONVENIENS, AND HEREBY CONSENTS TO THE GRANTING OF SUCH LEGAL OR EQUITABLE RELIEF AS IS DEEMED APPROPRIATE BY SUCH COURT. BORROWER AND EACH LOAN PARTY WAIVES PERSONAL SERVICE OF THE SUMMONS, COMPLAINT AND OTHER PROCESS ISSUED IN ANY SUCH ACTION OR SUIT AND AGREES THAT SERVICE OR SUCH SUMMONS, COMPLAINTS AND OTHER PROCESS MAY BE MADE BY REGISTERED OR CERTIFIED MAIL ADDRESSED TO BORROWER OR SUCH LOAN PARTY AT THE ADDRESS SET FORTH IN APPENDIX B TO THE CREDIT AGREEMENT. THAT SERVICE SO MADE SHALL BE DEEMED COMPLETED UPON THE EARLIER OF SUCH LOAN PARTY'S ACTUAL RECEIPT THEREOF OR THREE (3) BUSINESS DAYS AFTER DEPOSIT IN THE U.S. MAIL, PROPER POSTAGE PRE-PAID.

SECTION 12. **Construction** This Agreement and all other agreements and documents executed and/or delivered in connection herewith have been prepared through the joint efforts of all of the parties hereto. Neither the provisions of this Agreement or any such other agreements and documents nor any alleged ambiguity therein shall be interpreted or resolved against any party on the ground that such party or its counsel drafted this Agreement or such other agreements and documents, or based on any other rule of strict construction. Each of the parties hereto represents and declares that such party has carefully read this Agreement and all other agreements and documents executed in connection therewith, and that such party knows the contents thereof and signs the same freely and voluntarily. The parties hereto acknowledge that they have been represented by legal counsel of their own choosing in negotiations for and preparation of this Agreement and all other agreements and documents executed in connection herewith and that each of them has read the same and had their contents fully explained by such counsel and is fully aware of their contents and legal effect. If any matter is left to the decision, right, requirement, request, determination, judgment, opinion, approval, consent, waiver, satisfaction, acceptance, agreement, option or discretion of one or more Lenders or their respective employees, counsel, or agents in the Credit Agreement or any other Loan Documents, such action shall be deemed to be exercisable by such Lenders or such other person in its sole and absolute discretion and according to standards established in its sole and absolute discretion. Without limiting the generality of the foregoing, "option" and "discretion" shall be implied by the use of the words "if" and "may."

SECTION 13. **Counterparts**. This Agreement may be executed in any number of counterparts, each of which when so executed shall be deemed an original, but all such counterparts shall constitute one and the same instrument, and all signatures need not appear on any one counterpart. Any party hereto may execute and deliver a counterpart of this Agreement by delivering by facsimile or other electronic transmission a signature page of this Agreement signed by such party, and any such facsimile or other electronic signature shall be treated in all respects as having the same effect as an original signature. Any party delivering by facsimile or other electronic transmission a counterpart executed by it shall promptly thereafter also deliver a manually signed counterpart of this Agreement.

SECTION 14. **Severability**. The invalidity, illegality, or unenforceability of any provision in or obligation under this Agreement in any jurisdiction shall not affect or impair the validity, legality, or enforceability of the remaining provisions or obligations under this Agreement or of such provision or obligation in any other jurisdiction. If feasible, any such offending provision shall be deemed modified to be within the limits of enforceability or validity; however, if the offending provision cannot be so modified, it shall be stricken and all other provisions of this Agreement in all other respects shall remain valid and enforceable.

SECTION 15. **Time of Essence**. Time is of the essence in the performance of each of the obligations of Borrower and the other Loan Parties hereunder and with respect to all conditions to be satisfied by such parties.

SECTION 16. **No Other Creditor Action**. The Lenders' obligations to forbear hereunder are expressly conditioned upon all other creditors of Borrower and the other Loan Parties (including, without limitation, trade creditors and subordinated secured and unsecured creditors) holding claims against the Loan Parties in excess of [redacted] ("Material Creditors") refraining from taking any formal action to enforce payment of a claim including, without limitation, acceleration of indebtedness, foreclosure, repossession of assets, or delivery of a notice of intent with respect to any of the foregoing (but excluding, for the avoidance of doubt, the Chevron Production Liens and actions (other than actions of the types described in Article VIII(g), (h) and (i) of the Credit Agreement) relating to non-payment or late payment of Indebtedness relating to Reserved Production Payments (as defined in the Acquisition Agreements (as defined in the 2006 PERL Credit Agreement)) and earn-out obligations, against any Loan Party or the Collateral during the Forbearance Period. In the event that any Material Creditor takes any such action, all of the Lenders' obligations hereunder shall automatically and immediately terminate without further notice or demand. [Dollars redacted]

SECTION 17. **Further Assurances.** Borrower and each other Loan Party agrees to take all further actions and execute all further documents as Agent may from time to time reasonably request to carry out the transactions contemplated by this Agreement and all other agreements executed and delivered in connection herewith.

SECTION 18. **Section Headings**. Section headings in this Agreement are included herein for convenience of reference only and shall not constitute part of this Agreement for any other purpose.

SECTION 19. **Notices**. All notices, requests, and demands to or upon the respective parties hereto shall be given in accordance with the Credit Agreement, as amended hereby.

SECTION 20. **Effectiveness**. This Agreement shall become effective at the time (the "Forbearance Effective Date") that all of the following conditions precedent have been met (or waived) as determined by Agent and each Lender, each in its sole discretion:

(a) Agreement. Agent shall have received duly executed signature pages for this Agreement signed by Lenders, Borrower and other Loan Parties.

(b) Other Agreements. The conditions precedent to the Forbearance Effective Date (as such term is defined in each of the PERL Forbearance Agreement and the First Lien Forbearance Agreement) shall have been satisfied without waiver or modification.

(c) Due Authorization. Borrower and each other Loan Party shall have delivered to the Agent (i) evidence of the corporate, limited liability company or other authority of each such party to execute, deliver and perform its obligations under this Agreement and, as applicable, all other agreements and documents executed in connection therewith, and (ii) such other documents and instruments as the Agent may require, all of the foregoing of which shall be in form and substance reasonably acceptable to the Agent and Lenders.

(d) Representations and Warranties. The representations and warranties contained herein shall be true and correct, and no Forbearance Default, Default, Event of Default or event which with notice, the passage of time or both would constitute a Forbearance Default and/or an Event of Default, other than the Specified Defaults, shall exist on the date hereof.

(e) Additional Agreements. The Agent shall have received (i) duly executed signature pages for the Chevron Conveyances and (ii) fully executed copies of the Indemnification Agreement. Pacific Energy shall have received a fully executed copy of the right of first refusal and financing exclusivity termination letter being entered into by the Lenders in connection with the Forbearance Agreement and the First Lien Forbearance Agreement.

(f) Organizational Documents, Certificates. The Agent shall have received documents and certificates as the Agent or its counsel may reasonably request relating to the organization, existence and good standing of each Loan Party, the authorization of the transactions contemplated by the Loan Documents (including this Agreement) and any other legal matters relating to the Loan Parties, the Loan Documents or the transactions contemplated by the Loan Documents (including this Agreement), all in form and substance satisfactory to the Lenders.

(g) Interim Forbearance Budget. Pacific Energy and the Borrower shall have provided to the Lenders the Interim Forbearance Budget, in form and substance satisfactory to each Lender, and including detailed weekly projections of the net lease operating expenses of Pacific Energy and its subsidiaries.

(h) Broker Engagement Letter. The Agent shall have received a fully executed copy of the engagement letter pursuant to which Borrower has engaged the Broker, and the scope of services thereunder and terms and conditions thereof shall be acceptable to the Agent and the Required Lenders.

(i) Hiring of Chief Restructuring Officer. Pacific Energy shall have entered into a written agreement to retain a chief restructuring officer to be reasonably acceptable to Required Lenders (the "Chief Restructuring Officer"), such Chief Restructuring Officer's engagement to be in form and scope and on terms and conditions reasonably satisfactory to the Required Lenders and with responsibilities to include, without limitation, preparation for the Proposed Asset Sale, overseeing the Proposed Asset Sale, preparation of the DIP Budget (as defined in the PERL Forbearance Agreement), oversight of legal and planning matters, reviewing expenditures and payments made by Pacific Energy and its subsidiaries and other oversight responsibilities reasonably requested by Required Lenders. The Chief Restructuring Officer will report to the board of directors of Pacific Energy. In the event of the death, disability or incapacity of the Chief Restructuring Officer, a new Chief Restructuring Officer acceptable to the Lenders shall have been appointed by the majority of the members of the board of directors of Pacific Energy within 14 days of such office having been vacated. In the event of the resignation of the Chief Restructuring Officer, a new Chief Restructuring Officer acceptable to the Lenders shall have been appointed by the majority of the members of the board of directors of Pacific Energy within 14 days of such office having been vacated. Lenders agree that the Chief Restructuring Officer candidates listed on Exhibit B hereto are reasonably acceptable to Lenders.

(j) Compensation Agreements. Each of the counterparties to the Amended and Restated Executive Employment Agreements, each dated as of January 1, 2008, shall have entered into an agreement in the form attached as Exhibit C thereto, and such agreement shall not be amended without the written consent of the Lenders.

SECTION 21. Waiver of Jury Trial Right And Other Matters.

BORROWER AND THE LOAN PARTIES EACH HEREBY WAIVES (i) THE RIGHT TO TRIAL BY JURY IN ANY ACTION, SUIT, PROCEEDING OR COUNTERCLAIM OF ANY KIND ARISING OUT OF OR RELATED TO THIS AGREEMENT, THE CREDIT AGREEMENT, ANY OF THE OTHER LOAN DOCUMENTS, THE LOAN DOCUMENT OBLIGATIONS OR THE COLLATERAL; (ii) PRESENTMENT, DEMAND AND PROTEST, AND NOTICE OF PRESENTMENT, PROTEST, DEFAULT, NONPAYMENT, MATURITY, RELEASE WITH RESPECT TO ALL OR ANY PART OF THE LOAN DOCUMENT OBLIGATIONS OR ANY COMMERCIAL PAPER, ACCOUNTS, CONTRACT RIGHTS, DOCUMENTS, INSTRUMENTS, CHATTEL PAPER AND GUARANTIES AT ANY TIME HELD BY ANY LENDER ON WHICH BORROWER OR ANY OTHER LOAN PARTY MAY IN ANY WAY BE LIABLE AND HEREBY RATIFIES AND CONFIRMS WHATEVER SUCH LENDER MAY DO IN THIS REGARD; (iii) NOTICE PRIOR TO TAKING POSSESSION OR CONTROL OF THE COLLATERAL OR ANY BOND OR SECURITY WHICH MIGHT BE REQUIRED BY ANY COURT PRIOR TO ALLOWING ANY LENDER TO EXERCISE ANY OF ITS RESPECTIVE RIGHTS AND REMEDIES; (iv) THE BENEFIT OF ALL VALUATION, APPRAISEMENT AND EXEMPTION LAWS AND ALL RIGHTS WAIVABLE UNDER ARTICLE 9 OF THE UNIFORM COMMERCIAL CODE; (v) ANY RIGHT

BORROWER OR ANY OTHER LOAN PARTY MAY HAVE UPON PAYMENT IN FULL OF THE LOAN DOCUMENT OBLIGATIONS TO REQUIRE ANY LENDER TO TERMINATE ITS SECURITY INTEREST IN THE COLLATERAL, OR IN ANY OTHER PROPERTY OF BORROWER OR ANY OTHER LOAN PARTY UNTIL TERMINATION OF THE CREDIT AGREEMENT IN ACCORDANCE WITH ITS TERMS AND THE EXECUTION BY BORROWER, AND BY ANY PERSON WHO PROVIDES FUNDS TO BORROWER WHICH ARE USED IN WHOLE OR IN PART TO SATISFY THE LOAN DOCUMENT OBLIGATIONS, OF AN AGREEMENT INDEMNIFYING ANY OR ALL OF THE LENDERS FROM ANY LOSS OR DAMAGE ANY SUCH PARTY MAY INCUR AS THE RESULT OF DISHONORED CHECKS OR OTHER ITEMS OF PAYMENT RECEIVED BY SUCH LENDER FROM BORROWER, OR ANY ACCOUNT DEBTOR AND APPLIED TO THE LOAN DOCUMENT OBLIGATIONS AND RELEASING AND INDEMNIFYING, IN THE SAME MANNER AS DESCRIBED IN SECTION 6 OF THIS AGREEMENT, THE RELEASEES FROM ALL CLAIMS ARISING ON OR BEFORE THE DATE OF SUCH TERMINATION STATEMENT; AND (vi) NOTICE OF ACCEPTANCE HEREOF, AND BORROWER THE OTHER LOAN PARTIES EACH ACKNOWLEDGES THAT THE FOREGOING WAIVERS ARE A MATERIAL INDUCEMENT TO AGENT'S, LENDERS' ENTERING INTO THIS AGREEMENT AND THAT SUCH PARTIES ARE RELYING UPON THE FOREGOING WAIVERS IN THEIR FUTURE DEALINGS WITH BORROWER AND THE OTHER LOAN PARTIES. BORROWER AND THE OTHER LOAN PARTIES EACH WARRANTS AND REPRESENTS THAT IT HAS REVIEWED THE FOREGOING WAIVERS WITH ITS LEGAL COUNSEL AND HAS KNOWINGLY AND VOLUNTARILY WAIVED ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL. IN THE EVENT OF LITIGATION, THIS AGREEMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT.

SECTION 22. **Assignments; No Third-Party Beneficiaries**. This Agreement shall be binding upon and inure to the benefit of Borrower, the other Loan Parties, the Lenders and their respective successors and assigns; provided that neither Borrower nor any other Loan Party shall be entitled to delegate any of its duties hereunder and shall not assign any of its rights or remedies set forth in this Agreement without the prior written consent of Agent and the Required Lenders each in their sole discretion. No person other than the parties hereto, and in the case of Section 6 hereof, the Releasees, shall have any rights hereunder or be entitled to rely on this Agreement, and all third-party beneficiary rights (other than the rights of the Releasees under Section 6 hereof) are hereby expressly disclaimed.

SECTION 23. **Final Agreement.** This Agreement, the Credit Agreement, the other Loan Documents and the other written agreements, instruments, and documents entered into in connection therewith (collectively, the "Loan Party/Lender Documents") set forth in full the terms of agreement between the parties hereto and thereto and are intended as the full, complete, and exclusive contracts governing the relationship between such parties, superseding all other discussions, promises, representations, warranties, agreements, and understandings between the parties with respect thereto. No term of Loan Party/Lender Documents may be modified or amended, nor may any rights thereunder be waived, except in a writing signed by the party against whom enforcement of the modification, amendment, or waiver is sought (except as otherwise agreed pursuant to the terms of such Loan Party/Lender Document). Any waiver of any condition in, or breach of, any of the foregoing in a particular instance shall not operate as a waiver of other or subsequent conditions or breaches of the same or a different kind. Agent's, any Lender's exercise or failure to exercise any rights or remedies under any of the foregoing in a particular instance shall not operate as a waiver of its right to exercise the same or different rights and remedies in any other instances. There are no oral agreements among the parties hereto.

SECTION 24. **Joinder and Reaffirmation.** (a) Pacific Energy and the other PERL Entities signatory hereto, by their respective signatures below, become parties under the Credit Agreement with the same force and effect as if originally party thereto on the Closing Date and hereby agree to all the terms and provisions of the Credit Agreement applicable to them as Loan Parties thereunder.

(b) Each Loan Party hereby confirms its respective guarantees and grants of security interests, as applicable, under each Security Document to which it is a party, and agrees that such guarantees and grants of security interests are in full force and effect and shall accrue to the benefit of the Agent and the other Secured Parties.

SECTION 25. **No Substantive Consolidation.** The Loan Parties acknowledge and agree that the Lenders have relied, and continue to rely, on the separateness and distinct identity of each Loan Party entering into the Credit Agreement and in performing under the Credit Agreement and the other Loan Documents. At all times, each Loan Party shall maintain an adequate accounting of its individual assets and liabilities, keep adequate records of intercompany transfers, and observe customary corporate formalities. If a case is commenced with respect to any Loan Party under Chapter 11 of the United States Bankruptcy Code or any similar domestic or foreign insolvency law, that Loan Party shall not seek to be substantively consolidated with any other entity.

SECTION 26. **Amendments and Waivers.** (a) Notwithstanding Section 9.09 of the Credit Agreement, no amendment, modification or waiver of any provision of this Agreement, or consent to any departure by any Loan Party therefrom, shall in any event be effective without the written consent of the Required Lenders.

(b) No Loan Party shall consent to amend, modify, supplement or otherwise take any action that would have the effect of an amendment, modification or supplement to the definitions of "Forbearance Period" or "Forbearance Termination Event" in the PERL

Forbearance Agreement, the PERL 2006 Credit Agreement, the First Lien Forbearance Agreement or the First Lien Credit Agreement without the written consent of the Required Lenders.

SECTION 27. **2006 PERL Credit Agreement.** Each Loan Party hereby agrees to comply with all terms and provisions of the 2006 PERL Credit Agreement and the PERL Forbearance Agreement applicable to such Loan Party with the same force and effect as if a party thereto.

[*Remainder of page intentionally left blank*]

IN WITNESS WHEREOF, this Forbearance Agreement and Eighth Amendment to Credit Agreement has been executed by the parties hereto as of the date first written above.

PACIFIC ENERGY ALASKA OPERATING, LLC,
as Borrower

By: ______________________
Name: Darren Katic
Title: President

PACIFIC ENERGY ALASKA HOLDINGS LLC,
as Loan Party

By: ______________________
Name: Darren Katic
Title: President

PACIFIC ENERGY RESOURCES LTD.,
as Loan Party

By: ____________________
Name: Darren Katic
Title: President

PETROCAL ACQUISITION CORP.,
as Loan Party

By: ____________________
Name: Darren Katic
Title: President

SAN PEDRO BAY PIPELINE COMPANY,
as Loan Party

By: ____________________
Name: Darren Katic
Title: President

CARNEROS ACQUISITION CORP.,
as Loan Party

By: ____________________
Name: Darren Katic
Title: President

CARNEROS ENERGY INC.,
as Loan Party

By: ____________________
Name: Darren Katic
Title: President

GOTLAND OIL, INC.,
as Loan Party

By: ____________________
Name: Darren Katic
Title: President

SILVER POINT FINANCE, LLC,
as Agent

By: ______________________
Name: ____________________
Title: _____________________

Zachary M. Zeitlin
Authorized Signatory

SPCP GROUP, L.L.C.
as a Lender

By: ______________________
Name: ______________________
Title: ______________________

Zachary M. Zeltlin
Authorized Signatory

FIELD POINT I, LTD.
as a Lender
By: ______________________
Name: ____________________
Title: ____________________

Zachary M. Zeitlin
Authorized Signatory

FIELD POINT II, LTD.
as a Lender
By: ______________________
Name: ______________________
Title: ______________________

Zachary M. Zeitlin
Authorized Signatory

FIELD POINT IV, LTD.
as a Lender
By: ______________________
Name: ______________________
Title: ______________________

Zachary M. Zeitlin
Authorized Signatory

FIELD POINT II, LTD.
as a Lender

By: ______________________________

Name: ______________________________

Title: ______________________________

FIELD POINT IV, LTD.
as a Lender

By: ______________________________

Name: ______________________________

Title: ______________________________

BROAD POINT I, B.V.
as a Lender

By: ______________________________

Name: Sebastiaan Nielen

Title: Managing Director

SPF CDO I, LTD.
as a Lender

By: ______________________________

Name: ______________________________

Title: ______________________________

J. ARON & COMPANY.
as a Lender

By: ______________________________

Name: ______________________________

Title: ______________________________

SPF CDO I, LTD.
as a Lender
By: ______________________
Name: ______________________
Title: ______________________

Zachary M. Zeltlin
Authorized Signatory

J. ARON & COMPANY.
as a Lender

By: ________________________

Name: Colleen Foster

Title: Managing Director

EXHIBIT A (Specified Defaults)

Each of the Specified Defaults set forth below constitutes (in the case of Current Defaults) or is anticipated to constitute during the Forbearance Period (in the case of Anticipated Defaults) an Event of Default under the applicable Credit Agreement and Parts 1(k) and 5(i) of the applicable Schedule to the ISDA Agreement.

Defined Terms

"Beta CA" means the Credit and Guaranty Agreement dated as of November 30, 2006, as amended, among Company, certain subsidiaries, various lenders, J. Aron & Company as lead arranger, syndication agent and administrative agent.

"Beta Forbearance" means the Forbearance Agreement and Eighth Amendment to Credit and Guaranty Agreement relating to the Beta CA.

"Company" means Pacific Energy Resources Ltd.

"Credit Agreement" means the Beta CA, the FLCA and/or the SLCA, as appropriate.

"FLCA" means the First Lien Credit Agreement dated as of August 24, 2007, as amended, by and among Pacific Energy Alaska Operating LLC ("Borrower"), Pacific Energy Alaska Holdings, LLC ("Holdings"), as a credit support party, the lenders from time to time party thereto, Silver Point Finance, LLC, as administrative agent, and J. Aron & Company, as documentation agent.

"FLCA Forbearance" means the Forbearance Agreement and Seventh Amendment to First Lien Credit Agreement relating to the FLCA.

"Forbearance Agreement" means the Beta Forbearance, the FLCA Forbearance and/or the SLCA Forbearance, as appropriate.

"ISDA Agreement" means the PERL ISDA Agreement and/or the ISDA Agreement (each as defined in the FLCA Forbearance), as appropriate.

"SLCA" means the Second Lien Credit Agreement dated as of August 24, 2007, as amended, by and among Borrower, Holdings, the lenders from time to time party thereto, Silver Point Finance, LLC, as administrative agent, and J. Aron & Company, as documentation agent.

"SLCA Forbearance" means the Forbearance Agreement and Eighth Amendment to Second Lien Credit Agreement relating to the SLCA.

I. **Current Defaults** (unless otherwise specified or defined in this Exhibit A, defined terms and sections referred to in the list below are contained in the Beta CA)

1. Per Section 2.10, Company is to provide an ANCF Calculation at least five Business Days prior to each Quarterly Payment Date. Company has not provided such calculation for any Quarterly Payment Dates to date.

2. Contrary to Sections 4.25 and 5.11, Company has not paid Indebtedness in the amount of approximately $7,000,000 plus interest constituting Reserved Production Payments (as defined in the Acquisition Agreements).

3. Contrary to Section 5.1, Company did not, and did not cause each other Credit Party, to comply with every term, covenant and condition in any Transaction Document, in respect of the facts, circumstances and events referred to in this Exhibit A.

4. Company has neither prepared nor delivered quarterly or annual consolidating statements of cash flow or changes in owners' equity called for in Sections 5.2(a) and 5.2(b).

5. Company delivered late the officer compliance certificates required by Sections 5.2(a) and 5.2(b) for the Fiscal Quarters ended March 31, 2007, June 30, 2007, September 30, 2007, June 30, 2008 and September 30, 2008, and perhaps for other periods prior to the Forbearance Effective Date.

6. Contrary to Section 5.2(a), Company did not deliver for the Fiscal Years ended December 31, 2006 and 2007 the required audit report concerning covenant and default reporting.

7. Contrary to Section 5.2(e), Company delivered the required mid-year reserve report subsequent to the September 1, 2008 requirement. In addition, Agreed Pricing was not used in connection with such report. This may have occurred for other prior period reserve report requirements as well.

8. Per Section 5.2(i), Company did not cause a certificate or report to be issued by professional insurance consultants reasonably satisfactory to Administrative Agent certifying that Company's insurance for the next succeeding year after such renewal (or for such longer period for which such insurance is in effect) complies with the provisions of the Beta CA and the Security Documents.

9. Contrary to Section 5.2(j), Company failed to deliver a budget on or before the November 1, 2008 due date.

10. Per Section 5.2(m), Company was required to promptly, and in any event within ten (10) Business Days after any new Material Contract is entered into, furnish a written statement describing such event, with copies of such new contracts delivered to Administrative Agent, and an explanation of any actions being taken with respect thereto. Company has failed to comply with the requirements under Section 5.2(m) in connection with the entry into the following new Material Contracts and also may have failed to so comply with respect to entry into other Material Contracts listed on Schedule 4.22 or that were formerly Material Contracts:

    a. Counterpart Agreement to Senior Subordinated Accreting Note dated July 30, 2008 executed by Carneros Acquisition Corp., Carneros Energy, Inc. and Gotland Oil, Inc.

    b. Promissory Note in the face amount of $1,000,000 dated April 4, 2008 made by Pacific Energy Resources Ltd. in favor of [redacted] [Name omitted of stockholder]

    c. Purchase and Sale Agreement, dated February 28, 2007, between Noble Energy and Pacific Energy Resources Ltd.

    d. Supplemental Bond For Decommissioning Liabilities Trust Agreement, dated March 1, 2007, among U.S. Bank National Association, Pacific Energy Resources Ltd., and The United States of America acting by and through the Minerals Management Service United States Department of the Interior.

e. Pipeline Operating Agreement dated as of March 12, 2008 by and between Pacific Energy Resources Ltd. and San Pedro Bay Pipeline Company.

f. Offshore Daywork Drilling Contract dated March 7, 2008 between Blake Offshore, LLC and Pacific Energy Alaska Operating LLC, as amended by that certain Letter Agreement dated March 13, 2008 and that certain Letter Agreement dated April 7, 2008.

g. Agreement No. PRC 5636.1 – General Lease – Right of Way Use by and between the State of California, acting through the SLC, and San Pedro Bay Pipeline Company, dated March 25, 2008.

h. Contract for Transportation of Deck Cargo (Float-On/Float-Off) dated October 31, 2008 among Pacific Energy Resources Ltd., Escopeta Oil Co. Ltd. and Offshore Heavy Transport AS, which may become a Material Contract upon the occurrence of certain events.

11. Per Section 5.2(o), on a monthly basis, Company is to provide copies of all written correspondence and written material with the MMS together with written summaries of all verbal communications with the MMS. Company failed to provide some or all of such written information through December 2008.

12. Pursuant to Sections 5.4(b) and 5.4(c), Company was required to provide prompt written notice to each Lender of the occurrence of any Default, the acceleration of the maturity of any Indebtedness owed by any Credit Party or of any default by any Credit Party under any indenture, mortgage, agreement, contract or other instrument to which any of them is a party or by which any of them or any of their properties is bound, if such acceleration or default could cause a Material Adverse Effect. Company failed to comply with such covenants in respect of the Specified Defaults.

13. Contrary to Sections 5.7(c) and 5.23, Company currently has, and has had from time to time in the past, accounts payable amounts aged more than 90 days, including amounts owed to Chevron pursuant to joint interest billings.

14. Per Section 5.8(f), with respect to offshore Oil and Gas Properties, the Credit Parties are required to maintain insurance covering (i) control of well and (ii) redrilling/extra expense, with a minimum limit of $50,000,000 per occurrence. However, the actual coverage is $45,000,000 per occurrence for California Oil and Gas Properties and $75,000,000 per occurrence for Alaska Oil and Gas Properties, constituting a violation of Sections 4.34 and 5.8.

15. Per Section 5.8(i), the Credit Parties are required to maintain or cause to be maintained excess (or umbrella) liability insurance written on an occurrence basis providing coverage in excess of the limits set forth in Sections 5.8(b), (c) (ii), and (d). The limits of the insurance set forth in Sections 5.8(b), (c) (ii), and (d) and such excess or umbrella coverage, when combined, may not be less than $20,000,000 (or $100,000,000 with respect to offshore Oil and Gas Properties). However, the actual combined coverage is $15,000,000 (or $85,000,000 with respect to Offshore Oil and Gas Properties), constituting a violation of Sections 4.34 and 5.8.

16. Contrary to Sections 5.18, Company has from time to time expended funds on capital projects that are not part of the Approved Plan of Development or Pacific Alaska Approved Plan of Development.

17. Contrary to Section 5.30, Company did not meet all of the minimum additional equity requirements.

18. Per Section 5.31(a), Company was required to hire a chief financial officer and one additional senior executive officer in accordance with the terms of such section by no later than March 31, 2008. Company failed to meet the March 31, 2008 deadline.

19. Per Section 5.31(b), Company was required to appoint two additional independent directors satisfactory to Lenders by March 31, 2008. Company appointed one additional independent director subsequent to March 31, 2008.

20. Per Section 6.1, Credit Parties and their Subsidiaries are prohibited from incurring Indebtedness not specified in Section 6.1. Credit Parties and their Subsidiaries incurred or may have incurred Indebtedness not permitted by Section 6.1, including unsecured Indebtedness to one of its stockholders in the original principal amount of $1,000,000, as evidenced by a demand promissory note.

21. Per Sections 6.7 and 6.16, Company was required to maintain a level of expenditures within the ANCF Capital Expenditures approved by Lenders. Company incurred Capital Expenditures in excess of the ANCF Capital Expenditures approved by Lenders.

22. Per Section 6.10, Company was required to maintain a ratio of Consolidated Current Assets to Consolidated Current Liabilities of not less that 1.0 to 1.0 at the end of the Fiscal Quarters ended September 30, 2007, March 31, 2008, June 30, 2008 and September 30, 2008. Company's ratio of Consolidated Current Assets to Consolidated Current Liabilities on such dates was determined to be less than 1.0 to 1.0.

23. Contrary to Section 6.11(a), Company did not meet the required Total Company Debt to EBITDA ratio for the Fiscal Quarters ended March 31, 2007, June 30, 2007, September 30, 2007, December 31, 2007, March 31, 2008, June 30, 2008 and September 30, 2008.

24. Contrary to Section 6.11(b), Company did not meet the required Debt to EBITDA ratio for the Fiscal Quarters ended December 31, 2007, March 31, 2008, June 30, 2008 and September 30, 2008.

25. Per Section 6.12(b), Company's PDP Collateral Coverage Ratio, determined as of January 1, 2008, could not be less than 0.8 to 1.0. Company's PDP Collateral Coverage Ratio determined as of such date was less than 0.8 to 1.0. In addition, per Section 6.12(c), Company's Consolidated PDP Collateral Coverage Ratio, determined as of June 30, 2008, could not be less than 1.0 to 1.0. Company's PDP Collateral Coverage Ratio determined as of such date was less than 1.0 to 1.0.

26. Per Section 6.15, Company was allowed a Permitted G&A Expense Amount of no more than $1,500,000 and $1,250,000 during the Fiscal Quarters ended June 30, 2008 and September 30, 2008, respectively. Company exceeded these amounts.

27. Per Section 6.17, modifications to the Organizational Documents of Company and its subsidiaries were prohibited. Company, Carneros Acquisition, Carneros Energy and Gotland each amended their bylaws.

28. Contrary to Section 6.18, Credit Parties cancelled or terminated Material Contracts (or consented to or accepted cancellation or termination thereof), but not in a manner materially adverse to a Credit Party such that would require notice to Administrative Agent pursuant to Section 5.2(m).

29. Per Section 8.1(b), an Event of Default would occur if any Credit Party failed to pay any Obligation when due and payable, within two (2) Business Days when the same became due in the case of interest. Pursuant to Section 2.8, upon the occurrence and during the continuance of an Event of Default, the Loans and any fees or amounts due under the Beta CA bear interest at the Post-Default Rate, with such default interest payable on demand. Company has not paid default interest accruing after September 23, 2008.

30. The facts, circumstances and events described in this Exhibit A have resulted in Events of Defaults under Sections 8.1(c) through 8.1(h).

31. Per Section 8.1(f), any representation or warranty made in writing by or on behalf of any Credit Party in connection with any Transaction Document must not have been false or incorrect in any material respect on any date on or as of which made, and amendments to the Beta CA require that no Default or Event of Default have occurred or be continuing at the time of each such amendment. The Credit Parties may have failed to comply with such requirements in connection with amendments to the Beta CA with respect to the Specified Defaults and with respect to the representations and warranties contained in Section 4 of the Beta CA that are being amended in the Beta Forbearance.

32. Events of Default due to cross-defaults under the Hedging Contracts arising in connection with Specified Defaults.

33. Contrary to Sections 5.11 and 5.23, Company failed to execute a contract for transportation of a jack-up rig to Alaska, and as a result may lose its rights in and to the Corsair prospect.

34. Contrary to Sections 4.25 through 4.28 and 5.24, Alaska joint operating payments payable to Company from Chevron have not been paid on time, and Chevron also has the right under the joint operating agreement to lien PEAO's share of production if its joint interest billings are not paid on time. Chevron has exercised this right, resulting in non-Permitted Liens contrary to Section 6.2.

35. Company owns a working interest in Aurora Three Mile Creek and as of October 31, 2008, had a natural gas imbalance of approximately 25,000 mcf arising from normal operations, which is contrary to Sections 4.27 and 5.24.

36. Contrary to Sections 5.11 and 5.23, Company paid late approximately $17,000 due in early 2008 for keeping the [redacted]ease active. [Lease number redacted]

37. Contrary to Sections 5.11 and 5.23, Company failed to pay approximately $29,292 due in connection with a payment under the CIRI lease (9,764 acres), and the lease terminated.

38. Additional Defaults, if any, that were disclosed in the compliance certificates, if any, delivered to Lenders for the Fiscal Quarter ended September 30, 2007 in connection with the FLCA and SLCA.

39. An Event of Default or Default has occurred and is continuing under the Beta CA under Section 8 caused by an Event of Default or a Default (as each is defined in each of the FLCA and SLCA, respectively) under Article VII of each of the FLCA and SLCA, respectively, arising from the facts, circumstances and events described in this Exhibit A and the following (unless otherwise specified or defined in this Exhibit A, defined terms and sections referred to in the list below are contained in the FLCA and/or SLCA, respectively):

a. contrary to Sections 2.21, Borrower and Holdings have has from time to time expended funds on capital projects that are not part of the APOD;

b. Holdings and Borrower have neither prepared nor delivered quarterly or annual consolidating statements of cash flow or changes in owners' equity called for in Sections 5.04(a) and 5.04(b). In addition, contrary to Section 5.04, the financials of Holdings delivered for the year ended December 31, 2007 were not audited and Holdings and Borrower may have delivered late the officer compliance certificates required by Section 5.04;

c. pursuant to Sections 5.05(a) and 5.05(b), Holdings was required to provide prompt written notice to each Lender of the occurrence of any Event of Default or Default, specifying the nature and extent thereof and the corrective action (if any) taken or proposed to be taken with respect thereto and the acceleration of the maturity of any Indebtedness owed by any Loan Party or of any default by any Loan Party under any indenture, mortgage, agreement, contract or other instrument to which any of them is a party or by which any of them or any of their properties is bound. Company failed to comply with such covenants in respect of the Specified Defaults;

d. contrary to Section 5.13, Holdings and/or Borrower failed to pay approximately $29,292 due in connection with a payment under the CIRI lease (9,764 acres), and the lease terminated.

e. failure to comply with interest rate hedge requirements under Section 5.14;

f. failure to timely comply with the delivery of reserve reports requirements under Section 5.16, which required delivery of a mid-year reserve report by September 1, 2008, and failure to deliver accompanying certificates called for by Sections 5.16, 5.04(d) and 5.04(h);

g. per Section 6.01, Holdings and Borrower were prohibited from incurring Indebtedness not specified in Section 6.01. Holdings and Borrower have incurred or may have incurred Indebtedness not permitted by Section 6.1;

h. failure to comply with the prohibition on Liens contained in Section 6.02(e) relating to Chevron's exercise of its rights under the joint operating agreement to lien non-operated production beginning in November 2008 in payment of joint interest billings due to Chevron;

i. failure to comply with quarterly leverage ratio requirements under Section 6.11(a) of the FLCA and 6.11(b)(i) of the SLCA, respectively, relating to the fiscal quarters ended December 31, 2007, March 31, 2008, June 30, 2008 and September 30, 2008;

j. failure to comply with cash receipts requirements under Sections 6.11(b)(i)(x) and 6.11(b)(ii)(x) of the FLCA and Sections 6.11(b)(ii)(a)(1) and 6.11(b)(ii)(b)(x) of the SLCA, respectively, relating to the fiscal quarters ended December 31, 2007 and March 31, 2008, respectively;

k. failure to comply with current ratio requirements under Section 6.11(a) of the SLCA relating to the fiscal quarters ended December 31, 2007, March 31, 2008, June 30, 2008 and September 30, 2008;

l. failure to comply with the Consolidated EBITDA requirement under Section 6.11(b)(ii)(b)(y) of the SLCA for the fiscal quarter ended March 31, 2008;

m. failure to comply with current ratio requirements under Section 6.12 of the FLCA relating to the fiscal quarters ended March 31, 2008, June 30, 2008 and September 30, 2008;failure under Article VII(c) to pay interest on any Loan or any fee or any other amount due under any Loan Document or any ORRI Conveyance when due and payable, relating to payment of default interest due through the Forbearance Effective Date;

n. failure to comply with Article VII(f)(i) prohibiting failure to pay any principal, interest or other amount due in respect of any Material Indebtedness when due and payable (outstanding trade accounts payable in excess of normal payment terms, including Chevron joint interest billings);

o. failure to comply with the requirements that any representation or warranty regarding no Default or Event of Default be true and not misleading in any material respect under the amendments to the FLCA and SLCA and Article VII(a) with respect to the Specified Defaults described in this Exhibit A;

p. failure to pay interest on any Loan or any fee or any other amount due under any Loan Document or any ORRI Conveyance when due and payable;

q. failure to remedy, within the applicable grace period (if any), any "Default," "Event," "Event of Default", default or event or default occurring under any Transaction Document (as defined in the Beta CA) or Loan Document (as defined in the FLCA or SLCA) or ISDA Agreement;

r. Events of Default due to cross-defaults under the ISDA Agreement arising in connection with the Specified Defaults described in this Exhibit A; and

s. failure to provide prompt notice of the foregoing as required under Section 5.04.

40. An Event of Default or Default (as each is defined in each of the FLCA and SLCA, respectively) has occurred and is continuing under Article VII of each of the FLCA and SLCA, respectively, arising from the facts, circumstances and events described in this Exhibit A.

II. <u>Anticipated Defaults</u> (unless otherwise specified or defined in this Exhibit A, defined terms and sections referred to in the list below are contained in the Beta CA)

1. Per Section 5.30, Company is required to meet certain minimum additional equity requirements. Company is anticipated to fail to comply such requirements.

2. Per Section 6.10, Company is required to maintain a particular ratio of Consolidated Current Assets to Consolidated Current Liabilities. Company is anticipated to fail to comply with such covenant for the Fiscal Quarter ended December 31, 2008.

3. Per Section 6.11(a), Company is required to maintain a particular Total Company Debt to EBITDA ratio. Company is anticipated to fail to comply with such covenant for the Fiscal Quarter ended December 31, 2008.

4. Per Section 6.11(b), Company is required to maintain a particular Debt to EBITDA ratio. Company is anticipated to fail to comply with such covenant for the Fiscal Quarter ended December 31, 2008.

5. Per Section 6.12(a), Company's PDP Consolidated Collateral Coverage Ratio cannot be less than 1.0 to 1.0 and Company's Proved Consolidated Collateral Coverage Ratio cannot be less than 2.0 to 1.0, determined as of January 1, 2009. Company may fail to comply with such requirements.

6. Per Section 6.12(b), Company's PDP Collateral Coverage Ratio cannot be less than 1.0 to 1.0 and Company's Proved Collateral Coverage Ratio cannot be less than 2.0 to 1.0, determined as of January 1, 2009. Company may fail to comply with such requirements.

7. The Interim Forbearance Budget and the Credit Parties' and Loan Parties' obligations under the Forbearance Agreements may or will: involve expenditures that are not part of the Approved Plan of Development; require that Company and the other Credit Parties take corporate or other action to authorize commencement of a voluntary case under any applicable bankruptcy, insolvency or similar Law now or hereafter in effect, in violation of Section 8.1(j)(ii); and constitute a Default or Event of Default if Company or the other Credit Parties refrain from making expenditures, repaying Indebtedness and complying with obligations that are or may become due during the Forbearance Period.

8. An Event of Default or Default is anticipated to occur under the Credit Agreement under Section 8 caused by an Event of Default or a Default (as each is defined in each of the FLCA and SLCA, respectively) under Article VII of each of the FLCA and SLCA, respectively, arising from the foregoing and, in addition:

    a. anticipated failure to comply with current ratio requirements under Section 6.12 of the FLCA and Section 6.11(a) of the SLCA;

    b. anticipated failure to comply with quarterly leverage ratio requirements under Section 6.11(a) of the FLCA and Section 6.11(b)(i) of the SLCA;

    c. possible failure to comply with the collateral coverage ratios requirements under Section 6.11(c) of the SLCA; and

    d. cross-defaults arising from Current Defaults and Anticipated Defaults under the Beta CA, FLCA and SLCA.

9. An Event of Default or Default (as each is defined in each of the FLCA and SLCA, respectively) is anticipated to occur under Article VII of each of the FLCA and SLCA, respectively, arising from the facts, circumstances and events described in this Exhibit A.

EXHIBIT B

Chief Restructuring Officer Candidates

1. Gary Barton
   Senior Director
   Alvarez & Marsal Restructuring
   700 Louisiana, Suite 900
   Houston, TX 77002
   Office: (713) 221-3918
   Home: (713) 667-0484
   Mobile:(713) 962-4233
   gbarton@alvarezandmarsal.com

2. Scott W. Winn
   Senior Managing Director
   Zolfo Cooper
   1166 Sixth Ave., 24th Fl.
   New York, NY 10036
   Office: (212) 561-4030
   Cell: (908) 414-0371
   swinn@zolfocooper.com

3. Albert S. Conly
   Senior Managing Director
   FTI Consulting, Inc.
   2001 Ross Avenue
   Suite 400
   Dallas, TX 75201
   Office: (214) 397-1604
   Fax: (214) 397-1790
   Cell: (214) 356-0035

EXHIBIT C

VLADIMIR KATIC
DARREN KATIC
648 First Street
Hermosa Beach, CA 90254

Pacific Energy Resources Ltd.
111 W. Ocean Blvd., Suite 1240
Long Beach, CA 90802
Attn: Board of Directors

Re: Bonus Deferral

Gentlemen:

The undersigned, Vladimir Katic and Darren Katic, are each party to an Amended and Restated Employment Agreement (collectively, the "Employment Agreements") dated effective as of January 1, 2008 with Pacific Energy Resources Ltd., a Delaware corporation (the "Company"). Pursuant to the Employment Agreements, each of the undersigned is entitled to receive or earn certain bonuses under Sections 2(b) and 4 of each of the Employment Agreements.

The Company and its subsidiaries are currently in default under the terms of (a) the Credit and Guaranty Agreement dated November 30, 2006 among the Company and the lenders and agents named therein (the "Beta CA"), (b) the First Lien Credit Agreement dated August 24, 2007 among the Company and the lenders and agents named therein (the "FLCA"), (c) the Second Lien Credit Agreement dated August 24, 2007 among the Company and the lenders and agents identified therein (the "SLCA"), (d) the ISDA Master Agreement dated November 30, 2006 between the Company and J. Aron & Company (the "Beta ISDA"), and (e) the ISDA Master Agreement dated August 24, 2007 between the Company and J. Aron & Company (the "Alaska ISDA"). The Beta CA, the FLCA, the SLCA, [the Beta ISDA, and the Alaska ISDA] are collectively referred to as the "Financing Agreements." The lenders identified in the Beta CA, the FLCA and the SLCA are collectively referred to as the "Lenders," the administrative agents, collateral agents and documentation agents identified in the Beta CA, the FLCA and the SLCA are collectively referred to as the "Agents," and J. Aron & Company, in its capacity as hedge provider under the Beta ISDA and the Alaska ISDA, is referred to as the "Hedge Provider."

The Lenders, Agents and the Hedge Provider have agreed to forbear taking action to enforce their rights and remedies under the Financing Agreements and collateral documents related thereto pursuant to the terms of (i) a Forbearance Agreement and Eighth Amendment to Credit and Guaranty Agreement dated December __, 2008 among the Company, the Lenders party to the Beta CA, the Agents party to the Beta CA, and the Hedge Provider, (ii) a Forbearance Agreement and Seventh Amendment to Credit Agreement dated December __, 2008 among the Company, the Lenders party to the FLCA, the Agents party to the FLCA, and the Hedge Provider, and (iii) a Forbearance Agreement and Eighth Amendment to Credit Agreement dated December __, 2008 among the Company, the Lenders party to the SLCA, and the Agents party to the SLCA. The Forbearance Agreements described in (i) through (iii) above are collectively referred to as the "Forbearance Agreements."

As a condition to the effectiveness of the Forbearance Agreements, the Lenders, the Agents and the Hedge Provider have required that, among other things, each of the undersigned agree to the provisions of this letter regarding deferral of certain bonuses. As officers, directors, employees and stockholders of the Company, each of the undersigned acknowledges that he will derive significant benefit from the entry into the Forbearance Agreements by the Lenders, the Agents and the Hedge Provider.

Therefore, in consideration of the entry into the Forbearance Agreements by the Lenders, the Agents and the Hedge Provider, and in satisfaction of one of the conditions to effectiveness thereof, each of the undersigned hereby agrees to defer, until February 28, 2009, receipt of all bonuses that may be currently owing to the undersigned, that may become owing to the undersigned, or that may be earned by the undersigned, for or during 2008 pursuant to Sections 2(b) and 4 of the Employment Agreements. The undersigned further agree that this letter and the deferral described herein may not be modified, amended, altered, revised, revoked or rescinded by the undersigned absent the written consent of the Lenders, the Agents and the Hedge Provider, each of whom is deemed to be a third party beneficiary of this letter.

Very Truly Yours,

Vladimir Katic

Darren Katic

COMPANY ACKNOWLEDGMENT

I, Gerry Tywoniuk, in my capacity and Chief Financial Officer of the Company, hereby acknowledge receipt of the foregoing deferral letter on behalf of the Company, and further acknowledge that (a) I have delivered a copy of the letter to each member of the Company's board of directors, (b) the Lenders, the Agents and the Hedge Provider are third party beneficiaries of the deferral provisions of the letter and (c) the Company will not pay the bonuses described in Sections 2(b) and 4 of the Employment Agreements so as to honor the terms of deferral set forth in the letter, absent written consent of the Lenders, the Agents and the Hedge Provider.

PACIFIC ENERGY RESOURCES LTD.,
a Delaware corporation

By: ______________________
Gerry Tywoniuk, Chief Financial Officer

Schedule 3.09 to
Forbearance Agreement and Eighth Amendment to Second Lien Credit Agreement

Litigation; Compliance With Laws

Forest Oil Corporation v. Union Oil Company of California et al.

Case No. 3:05-cv-00078-RRB (United States District Court for the District of Alaska)

Summary

In 2005, prior to Pacific Energy Resources Ltd.'s acquisition of Alaska assets from Forest Oil Corporation ("Forest Oil"), Forest Oil brought suit against Union Oil Company of California ("Union Oil") requesting an accounting, injunction and other relief under Trading Bay Unit agreements. Union Oil (now Chevron pursuant to a merger between Union Oil and Chevron) is the operator of that unit. The complaint alleges that additional sums were due to Forest Oil as a result of Union Oil's conduct as unit operator. Union Oil counterclaimed for money and a lien, under the unit agreements. Prior to Pacific Energy Resources Ltd.'s acquisition of the Alaska assets, Chevron added Forest Alaska Operating LLC (now Pacific Energy Alaska Operating LLC) as a party, claiming it was the appropriate party in interest because Forest Oil had transferred all of its rights under the operating agreement to what is now Pacific Energy Alaska Operating LLC.

An amendment to the membership interest purchase agreement transferring Forest Alaska Operating LLC to Pacific Energy Resources Ltd. contains a provision adding this suit to Forest Oil's indemnification requirements. Pacific Energy Resources Ltd. has engaged separate counsel to represent Pacific Energy Alaska Operating LLC in the case. Forest Oil remains in the case as a party plaintiff, represented by its own counsel. Forest Oil has confirmed its indemnity obligations to Pacific Energy Resources Ltd. and has agreed to pay for Pacific Energy Resources Ltd.'s separate counsel.

Status

The court had held that all of Forest Oil's claims in the litigation were transferred to Pacific Energy Alaska Operating LLC. Pacific Energy Alaska Operating LLC subsequently transferred the claims back to Forest. What is not clear is whether Chevron's counterclaims originally asserted against Forest Oil were also transferred to Pacific Energy Alaska Operating LLC or whether they remain as claims against Forest Oil.

The amount of the Chevron's counterclaim is $13 million. Settlement discussions between Forest Oil and Chevron have indicated that Chevron's internal assessment of the value of its counterclaims is no more than [redacted] million. Forest Oil believes that the probable value is less than that amount. Any judgments on the basis of Chevron's counterclaims would be offset by the amounts of Forest Oil's claims that are accepted by the court. Current settlement discussions between Forest Oil and Chevron do not contemplate that Pacific Energy Alaska Operating LLC be required to make any settlement payments. [Dollars redacted]

Most likely any exposure to Pacific Energy Alaska Operating LLC would be based on a lien claim rather than direct liability for monetary damages. Forest Oil is contractually obligated to satisfy any lien claim and release Pacific Energy Alaska Operating LLC's property. The likelihood of a judgment in favor of Chevron in the amount of [redacted] million or more is not likely. There is some possibility of an affirmative judgment in favor of Chevron in some amount if this

[Dollars redacted]

matter proceeds to trial, although it would be (a) most likely reflected as a claim of lien against Pacific Energy Alaska Operating LLC's Trading Bay Unit interest, (b) offset by any money judgment obtained by Forest Oil and (c) subject to Forest Oil's indemnity obligations.

Marathon Oil Company v. Forest Oil Corporation, Union Oil Company of California d/b/a Unocal Alaska and Chevron Corporation

Case No. 3:06-cv-00102-JKS (United States District Court for the District of Alaska)

Summary

This lawsuit was filed on May 3, 2006 (prior to Pacific Energy Resources Ltd.'s acquisition of Forest Alaska Operating LLC) in the United States District Court for the District of Alaska at Anchorage. The lawsuit involves the allocation of charges between oil production and gas production on the Steelhead Platform located in Cook Inlet, Alaska. Unocal Alaska operates the platform and both Forest Oil (now Pacific Energy Alaska Operating LLC) and Unocal Alaska utilize the platform for oil production. Marathon Oil Company ("Marathon") and Unocal Alaska use the platform for gas production. Marathon alleges that Forest Oil breached its December 12, 1996 purchase and sale agreement with Forcenergy (later merged into Forest Oil) in failing to satisfy the obligation to pay reasonable and necessary expenses relating to this operation. Marathon also alleges that Forest Oil has been unjustly enriched in that, due to the problem with the allocation, Marathon was forced to pay for certain expenses which were properly the obligation of Forest Oil. Marathon asks for damages, an accounting for the operations on the platform and for declaratory relief. Forest Oil has filed an answer denying liability.

An amendment to the membership interest purchase agreement transferring Forest Alaska Operating LLC to Pacific Energy Resources Ltd. contains a provision adding this suit to Forest Oil's indemnification requirements. Pacific Energy Resources Ltd. has engaged separate counsel to represent Pacific Energy Alaska Operating LLC in the case. Forest Oil remains in the case as a party plaintiff, represented by its own counsel. Forest Oil has agreed to pay for Pacific Energy Resources Ltd.'s separate counsel and has acknowledged certain of its indemnity obligations to Pacific Energy Resources Ltd., but disputes the extent of its indemnity obligations for the period subsequent to Pacific Energy Resources Ltd.'s acquisition of Forest Oil's membership interest in Pacific Energy Alaska Operating LLC.

Status

The court recently ruled on certain cross motions for summary judgment and essentially the only claims which remain in the lawsuit are Marathon's contractual claims against Unocal Alaska under the Unit Operating Agreement relating to "fair and equitable" adjustment. The court granted summary judgment to Forest Oil on all of Marathon's direct contractual and equitable claims against it and Forest Oil has been dismissed from the lawsuit. The court's ruling logically applies equally to Pacific Energy Alaska Operating LLC as to Forest Oil.

The remaining issues will likely go to trial in approximately nine months. Unocal Alaska and Marathon have begun preliminary discussions to explore arbitrating this matter rather than litigating it in federal court. In the event of a monetary judgment in favor of Marathon, Unocal Alaska has informed Forest Oil and Pacific Energy Alaska Operating LLC that it would seek to recover any amounts it pays to Marathon from Forest Oil and Pacific Energy Alaska Operating LLC. Based on claims asserted by Marathon, it is believed that potential damages may be accruing against Pacific Energy Alaska Operating LLC for the period subsequent to Pacific Energy Resources Ltd.'s acquisition of Forest Oil's membership interest in Pacific Energy Alaska Operating LLC at the rate of approximately [redacted] per year. [Dollars redacted]

Net Revenue Share for Beta Field

Pursuant to an October 20, 2008 letter from the United States Department of the Interior, Minerals Management Services ("MMS"), the MMS has extended the current net revenue share royalty relief arrangement applicable to leases OCS-P 0300 and 0301, Beta Field (as defined in the 2006 PERL Credit Agreement), until March 31, 2010. However, if a new net revenue share arrangement is not established by March 31, 2010, then the net revenue share will become fixed at a 25% royalty. Depending on the oil price, a 25% royalty could have a Material Adverse Effect.

Material Contracts

Defaults

Specified Defaults (as defined in the Forbearance Agreement).

Material Contracts

1. Membership Interest Purchase Agreement dated as of May 24, 2007 by and among Forest Alaska Holding LLC, Pacific Energy Alaska Operating LLC, Forest Oil Corporation and Pacific Energy, as amended on July 31, 2007 pursuant to Amendment No. 1 to Membership Interest Purchase Agreement.

2. Asset Sale Agreement dated as of May 24, 2007 by and among Forest Oil Corporation and Pacific Energy Resources Ltd., as amended on July 31, 2007 pursuant to Amendment No. 1 to Asset Sale Agreement.

3. Share Acquisition and Registration Rights Agreement, dated July 31, 2007, between Pacific Energy Resources Ltd. and Forest Oil Corporation.

4. Senior Subordinated Accreting Note dated August 24, 2007 made by Pacific Energy Resources Ltd. in favor of Forest Alaska Holding LLC, the obligations of which are guaranteed by Pacific Energy Alaska Holdings, LLC and Pacific Energy Alaska Operating LLC.

5. Counterpart Agreement to Senior Subordinated Accreting Note dated July 30, 2008 executed by Carneros Acquisition Corp., Carneros Energy, Inc. and Gotland Oil, Inc.

6. Promissory Note in the face amount of $1,000,000 dated April 4, 2008 made by Pacific Energy Resources Ltd. in favor of [redacted] [Stockholder name redacted]

7. Amended and Restated Purchase and Sale Agreement, dated November 1, 2006, between Aera Energy, LLC and Pacific Energy Resources Ltd.

8. Purchase and Sale Agreement, dated November 13, 2006, between SWEPI LP and Pacific Energy Resources Ltd.

9. Purchase and Sale Agreement, dated February 28, 2007, between Noble Energy and Pacific Energy Resources Ltd.

10. Fuel Gas Agreement Between Forcenergy Inc. and Marathon Oil Company Dated December 30, 1996 (as assigned by Forest Oil Corporation, as successor in interest to Forcenergy Inc., to Pacific Energy Alaska Operating LLC pursuant to the Asset Sales Agreement).

11. Agreement Regarding Throughput Charge By and Among Forcenergy Inc., SPC LLC, as successor to Stewart Petroleum Co. and The Medema Family Trust effective June 1, 1997, dated December 9, 1999 Consent to Assignment (as assigned by Forest Oil Corporation, as successor in interest to Forcenergy Inc., to Pacific Energy Alaska Operating LLC pursuant to the Asset Sales Agreement).

12. Agreement Regarding Throughput Charge By and Among Forcenergy Inc., Stewart Petroleum Co. and WPS Energy Services, Inc. effective January 1, 1997, dated August 26, 1997 Consent to Assignment (as assigned by Forest Oil Corporation, as successor in interest to Forcenergy Inc., to Pacific Energy Alaska Operating LLC pursuant to the Asset Sales Agreement).

13. Agreement Regarding Throughput Charge by and among Forcenergy Inc., Stewart Petroleum Co., and Midcoast Energy Resources, Inc. dated July 29, 1997 (as assigned by Forest Oil Corporation, as successor in interest to Forcenergy Inc., to Pacific Energy Alaska Operating LLC pursuant to the Asset Sales Agreement).

14. Gas Transportation and Measurement Station Usage Agreement between Forest Oil Corporation, as Shipper, and Aurora Gas, LLC, as Transporter, dated October 27, 2005 (as assigned by Forest Oil Corporation to Pacific Energy Alaska Operating LLC pursuant to the Asset Sales Agreement).

15. Asset Sales Agreement between Pacific Energy Alaska Operating LLC and Pioneer Natural Resources Alaska, Inc. dated February 14, 2007.

16. Overriding Royalty Agreement between Pacific Energy Alaska Operating LLC and Pioneer Natural Resources Alaska, Inc. dated February 16, 2007.

17. Trading Bay Field Joint Operating Agreement by and between Union Oil Company of California and Marathon Oil Company dated June 12, 1996.

18. Unocal / Forest Oil Alignment Agreement Trading Bay Field / Trading Bay Unit dated January 1, 2002 by and between Union Oil Company of California and Forest Oil Corporation (as assigned by Forest Oil Corporation to Pacific Energy Alaska Operating LLC pursuant to the Asset Sales Agreement).

19. Unit Agreement for the Development and Operation of the Trading Bay Unit Area State of Alaska dated February 6, 1967 by Union Oil Company of California, as Operator, and Standard Oil Company of California, et. al, as non-Operators, as amended and including all Ratifications and Joinders.

20. Trading Bay Facilities Agreement between Union Oil Company of California dba Unocal Alaska and Forest Oil Company dated May 1, 2002 (as assigned by Forest Oil Corporation to Pacific Energy Alaska Operating LLC pursuant to the Asset Sales Agreement).

21. Amendment No. 1: Trading Bay Facilities Agreement dated effective April 16, 2007.

22. Joint Operating Agreement for Three Mile Creek Exploration Unit, Cook Inlet, Alaska by and between Aurora Gas, LLC, as Operator, and Forest Oil Corporation, as non-Operator, dated January 1, 2004 (as assigned by Forest Oil Corporation to Pacific Energy Alaska Operating LLC pursuant to the Asset Sales Agreement).

23. Unit Operating Agreement – Trading Bay Unit, dated September 1, 1970, by and between Union Oil Company of California, as Operator, and Marathon Oil Company, et. al. as non-Operators.

24. Reservation of Production Payment attached as Attachment I to Assignment of Bill of Sale, dated effective November 1, 2006, from Area Energy LLC to Pacific Energy Resources Ltd.

25. Reservation of Production Payment attached as Attachment I to Assignment of Bill of Sale, dated effective November 1, 2006, from SWEPI LP to Pacific Energy Resources Ltd.

26. Reservation of Production Payment attached as Attachment I to Assignment of Bill of Sale, dated effective November 1, 2006, from Noble Energy, Inc. to Pacific Energy Resources Ltd.

27. Supplemental Bond For Decommissioning Liabilities Trust Agreement, dated March 1, 2007, among U.S. Bank National Association, Pacific Energy Resources Ltd., and The United States of America acting by and through the Minerals Management Service United States Department of the Interior.

28. Pipeline Operating Agreement dated as of March 12, 2008 by and between Pacific Energy Resources Ltd. and San Pedro Bay Pipeline Company.

29. Petroleum Pipeline Transportation Agreement, dated November 1, 2006, between Pacific Energy Resources Ltd. and San Pedro Bay Pipeline Company.

30. Offshore Daywork Drilling Contract dated March 7, 2008 between Blake Offshore, LLC and Pacific Energy Alaska Operating LLC, as amended by that certain Letter Agreement dated March 13, 2008 and that certain Letter Agreement dated April 7, 2008.

31. Agreement No. PRC 5636.1 – General Lease – Right of Way Use by and between the State of California, acting through the SLC, and San Pedro Bay Pipeline Company, dated March 25, 2008.

32. The undertaking by San Pedro Bay Pipeline Company of a surety bond in the amount of $3,000,000 in favor of the State of California pursuant to Agreement No. PRC 5636.1 – General Lease – Right of Way Use by and between the State of California, acting through the SLC, and San Pedro Bay Pipeline Company.

33. Contract for Transportation of Deck Cargo (Float-On/Float-Off) dated October 31, 2008 among Pacific Energy Resources Ltd., Escopeta Oil Co. Ltd. and Offshore Heavy Transport AS, which may become a Material Contract upon the occurrence of certain events.

34. Intercompany Promissory Note, dated as of December 19, 2008, made by Pacific Energy Alaska Operating LLC in favor of Pacific Energy Resources Ltd.

Employment Agreements

Amended and Restated Executive Employment Agreement, dated as of January 1, 2008, between Pacific Energy Resources Ltd. and Darren Katic.

Amended and Restated Executive Employment Agreement, dated as of January 1, 2008, between Pacific Energy Resources Ltd. and Vladimir Katic.

Amended and Restated Executive Employment Agreement, dated as of November 7, 2008, between Pacific Energy Resources Ltd. and Gerald Tywoniuk.

Amended and Restated Employment Agreement, dated as of November 7, 2008, between Pacific Energy Resources Ltd. and John Rainwater.

Employment Agreement, dated as of August 11, 2006, between Pacific Energy Resources Ltd. and Jeevan Anand, as amended by First Amendment to Employment Agreement dated as of December 10, 2007.

Amended and Restated Employment Agreement, dated as of November 7, 2008, between Pacific Energy Resources Ltd. and Steve Liles.

Employment Agreement, dated as of March 1, 2007, between Pacific Energy Resources Ltd. and Robert Pyle, as amended by First Amendment to Employment Agreement dated as of December 10, 2007.

Employment Agreement, dated as of October 9, 2007, between Pacific Energy Resources Ltd. and Joseph Kilchrist. An amendment and restatement of this agreement is in process and a copy of the proposed amendment and restatement has been provided to the Lenders.

Schedule 3.33 to
Forbearance Agreement and Eighth Amendment to Second Lien Credit Agreement

Insider Interests

Promissory Note in the face amount of $1,000,000 dated April 4, 2008 made by Pacific Energy Resources Ltd. in favor of [redacted]., if and to the extent payment is demanded thereunder. [redacted]. is a stockholder of Pacific Energy Resources Ltd. [Stockholder name redacted]

Options and warrants to purchase shares of Pacific Energy Resources Ltd. common stock are held by certain officers, directors, employees and stockholders of Pacific Energy Resources Ltd.

Certain employees and consultants of Pacific Energy Alaska Operating LLC receive annual compensation in an amount in excess of $100,000 in the ordinary course of their respective employment or consulting arrangements.

Pipeline Operating Agreement dated as of March 12, 2008 by and between Pacific Energy Resources Ltd. and San Pedro Bay Pipeline Company.

Petroleum Pipeline Transportation Agreement, dated November 1, 2006, between Pacific Energy Resources Ltd. and San Pedro Bay Pipeline Company.

Intercompany Operating Agreement, dated May 20, 2008, between Pacific Energy Resources Ltd. and Pacific Energy Alaska Operating LLC.

Transaction Documents (as such term is defined in the 2006 PERL Credit Agreement).

Loan Documents.

First Lien Loan Documents.

Intercompany Promissory Note, dated as of December 19, 2008, made by Pacific Energy Alaska Operating LLC in favor of Pacific Energy Resources Ltd.