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Q&A WITH PACIFIC ENERGY PRESIDENT DARREN KATIC (As of May 31, 2008)

Like many oil and gas stocks over the last six months, *Pacific Energy* is taking a licking, but now it looks like it could be bouncing back with the record prices of oil. We have quoted *Andy Gustajtis of Dominick and Dominick* frequently here as several of his stock picks of last year were top performers and then of course the asset-backed mess hit courtesy of Wall Street and things got ugly.

So it's time to get caught up with *Darren Katic*, President of Pacific Energy and it's a Company that has been plagued with some concerns about its current high debt levels.

David Pescod: Darren, we are glad to have you today from California. Our first question is that it looks like the platform offshore California and the wildcat play in Wyoming for gas was what started the Company. Now it looks like the offshore platform is finally in production, but Wyoming looks like it could be a bit of a disappointment. Time for an update...

Darren Katic: David thank you for having me on again and it is a pleasure to talk to you. We have not given up on the Green River play, although the Paladin well was indeed a disappointment especially in light of the data we had. However, it does not completely condemn the acreage, but does in our mind significantly increase the risk. There remains large potential in the deeper shale horizons that potentially blanket the lease. In light of the increased risks we proposed to our partners a change in the commercial terms of the farm in arrangement, although at this stage we have not been able to come to any agreement. As far as exploration is concerned, we are focusing our efforts on the Alaska Corsair prospect which has a much lower risk and higher potential reward.

As for the Beta field offshore CA we have made huge strides and I am happy to report that platform Eureka after being shut in for 9 years, is now back in production.

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In the first phase we expect to ramp up to 1000 to 2000 bbls/day by the end on June and the goal is to have all 34 wells on by the end of the year with a target production rate of between 4 and 5 thousand bbls/day. Target exit rate this year from the entire Beta field is 7000 bbls/day.

David Pescod: The purchase of assets in Alaska certainly surprised the market, but the price of oil has doubled since then and while royalty rates in Alaska have also gone up, we have to ask, what it was that you saw in Alaska?

Darren Katic: Because we produce in the Cook Inlet, which has certain tax exempt status, we have not been affected by the increase in state royalties. As far as what we saw in Alaska, and in particular the Cook Inlet, was an area that we could continue to deploy our strategy of acquiring mature fields from sellers where the assets have been historically non-core, undercapitalized and thus possess material 1 and 2 P potential. We unfortunately were caught up in the credit crunch and ended up with a very expensive financing which has been somewhat offset by higher crude prices. We have begun to make significant progress in our de-leveraging plan and positioning the company for a recap later this year or early next.

David Pescod: The big concern with Pacific Energy is leverage/huge debt...like really big debt. How might that work in your favor or is this still something that the market should be worrying about, particularly since a little bit of the debt was just taken care of.

Darren Katic: The good thing is the credit market has begun to recover and as you mentioned we are currently planning a sizeable pay down funded by the sale of non core assets. As we continue to execute the de-leveraging plan we get closer and closer to the point where we can recap the company with a more traditional financing with which the investment community is familiar with. Once we accomplish a reduced debt load, the cost of the remaining debt will be substantially less, leaving much more cash in the business.

The opportunity for investors is that the risk associated with our ability to execute this strategy is minimized with every step we take and is further helped along with the high oil prices. The name of the game today is reserves, and that we have, and in North America. The Company has significant reserves all in the United States, with potential to add additional reserves with minimal risk. Our challenge is our balance sheet which is a manageable problem when the underlying asset is so strong.



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David Pescod: What kind of production numbers do you see for the Company down the road and are these numbers one can predict with some degree of certainty?

Darren Katic: We are currently forecasting a 2008 exit rate of between 10 and 11 thousand BOE per day and this is adjusted for recent divestitures of about 1000 BOE per day. With our current reserve base we feel confident that we can reach 20,000 BOE per day in 2011.

David Pescod: One big concern is that this is an American Company with all-American assets, but trading on a Canadian Exchange. Americans tend to only trade stocks that trade on their own exchanges, so when do you see a listing finally happening down south? It can't be soon enough.

Darren Katic: We filed our registration statement with the SEC in February of this year and are through the first round of comments and are revising the statement and adding in our first quarter numbers. The asset sale will delay the process slightly but we still expect to go effective this summer and assess the US listing shortly after that.

David Pescod: These current high oil prices are hard to figure. We kind of think most stocks are being priced as if oil was \$90.00 to \$100. But what do you see for oil and gas prices down the road?

Darren Katic: I feel that PFE is still priced at \$50 to \$60 per barrel but that does not address your question. Last we talked in April of last year I punted on this by playing it safe and saying oil will be in the \$60 to \$70 range;. I ultimately feel that we are in for a new era of sustained high prices and it is a simple supply and demand issue. Demand will continue to grow robustly in Asia, the Middle East and FSU while production continues to fall in many OPEC nations. Mexico and other major producers such as Russia are using more domestically and exporting less; there are fewer and fewer discoveries worldwide and the lead time needed for the equipment to develop the discoveries we do have (such as the ones offshore Brazil) will be hard pressed to arrest the natural decline. I predict that world oil production will not be able to grow much above current levels. I feel oil is going to \$200 a barrel in the next 24 months.

David Pescod: If you could only buy one stock, other than your own and with no conflicts of interest, what would it be? Of course, a two-bagger would nice....

Darren Katic: Check out Dune Energy (AMEX:DNE), they have been really beaten up over the last several months, not sure its at the bottom yet but if they can fix a few issues they have with their balance sheet they could be a \$3 to \$4 stock.

David Pescod: Thank you so much Darren!

Disclosure: Canaccord has recently participated in a financing for Pacific Energy Resources.

DEB'S DITTY:
All I want is less to do, more time to do it,
and higher pay for not getting it done.

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