

PACIFIC ENERGY RESOURCES LTD.

MANAGEMENT DISCUSSION AND ANALYSIS

The following discussion and analysis is for the three month period ended March 31, 2004 compared with the three month period ended March 31, 2003. This information is current to June 7, 2004 and has not been reviewed by the Company's auditors.

Introduction

The discussion and analysis of the operating results and financial position of the Company should be read in conjunction with the attached Financial Statements and related Notes (the "Financial Statements"), which have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) (see Summary of Significant Accounting Policies and Nature of Operations). This discussion and analysis may contain forward-looking statements about the Company's future prospects, and the Company provides no assurance that actual results will meet management's expectations.

Results of Operations

The Company has an income of \$141,904 in 2004 (\$0.01 per share) compared with a loss of \$74,457 in 2003 (\$0.00 per share). During the quarter ended March 31, 2004 the gross revenue and expenses from production were \$485,000 and \$217,500 respectively. Revenue included a gain of \$123,000 from an agreement to abandon six wells and three leases with production of about 60 barrels per day. The net return in oil and gas revenue from their California Joint Venture for the quarter was \$267,500. The Company's net income for the quarter amounted to \$110,000, after deducting the costs associated with evaluation of new prospects. These expenditures are expected to continue in the near future, while production revenue should increase as the redevelopment plan progresses.

The following is a summary of the key exploration projects the Company has been working on:

Pacific Energy Resources (PER, or the Company) is an independent oil and gas production and development company with operations in California. The Company has developed a business plan focused on the acquisition and enhancement of mature oil and gas fields that would realize increased production utilizing current engineering and production technology.

PER is a company specializing in the acquisition and re-development of producing oil and gas properties. Pacific Energy is the lessee and operator of onshore fields located in the Los Angeles Basin in southern California that currently produce over 550 barrels of oil per day ("BOPD") with reserves in excess of 15 million barrels (*DeGolyer and MacNaughton Appraisal Report as of July 1, 2003*). The majority of Pacific Energy's productive acreage is contained within the giant Wilmington Oil Field, in the Pico and Refinery leases, located in the city of Long Beach, California.

Phase I of the pilot redevelopment began in May 2003. The program called for the drilling and completion of 5 wells. To date the Company has drilled 4 wells. Of them 3 have been completed and put on production, completion work is almost finished on the fourth and the fifth is expected to begin drilling in September 2004. Additionally, one injection well has been converted to production. The pilot program has increased production in the Pico Lease (Wilmington Oil Field) by approximately 150 barrels per day.

The current plan calls for the re-drilling of up to 20 wells in packages of 5. The first "5 spot" (4 producers and 1 injector) is expected to be completed by the end of 2004. The cost of the development is currently estimated

at \$2.5 million and is expected to raise the production of oil by 250 barrels per day. The Company's management feels that current cash flow and debt capacity should be adequate to fund 2004 development program.

The Company continues to evaluate acquisition targets within the Long Beach area within the Wilmington Oil field and expects to close one other acquisition before the end of June 2004. Pacific Energy Resources Ltd., with its partners, is in the final phase of negotiating a Purchase and Sale Agreement to acquire additional oil-producing acreage adjacent to its Wilmington Oil Field. The acquisition price of US\$2,000,000, which includes a new US\$220,000 permitted 70-kilowatt electric co-generation plant, would be funded primarily from cash on hand.

Wells on the new property currently produce 100 barrels of oil per day. Management estimates Proven Developed Producing (PDP) oil reserves and Proven Un-Developed (PUD) oil reserves are in the 2,000,000 barrels range.

The main objective of the Company is to be in excess of 1000 barrels oil per day production by the end of 2004. And to accomplish this through both, scheduled redevelopment of current assets, and completion of the acquisition mentioned above.

Pacific Energy Resources Ltd. has 25% interest in the project and is in discussions with its partners to acquire the remaining 75%. The company continues to be active in Russia and is currently evaluating and negotiating on a number of opportunities.

Capital Resources and Liquidity

During the three month period ended March 31, 2004, related party transactions consist of \$138,386 in cash advances on settlement made by the Company in debt relating to the Joint Venture acquisition.

The Company has no outstanding stock options.

There is however, no assurance that any future funding can be accomplished as it would be wholly dependent on the state of the capital markets for junior exploration companies. The Company does not anticipate the payment of dividends in the future.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Related Party Transactions

Details of these related party transactions, including the purpose and recorded amounts of the transactions are identified in Note 5 to the Financial Statements.

Changes in Accounting Policy

The Company adopted in 2002 the transitional provisions of Canadian Institute of Chartered Accountants' Handbook Section 3870 on stock-based compensation on a prospective basis. The Company accounts for the derived value of stock-based compensation to all employees and consultants.

Financial and Other Instruments

The Company's financial assets and liabilities consist of cash, short-term investments, receivables, accounts payable and accrued liabilities, which are denominated in Canadian dollars. These accounts are recorded at their fair market value.

The Company has placed its cash and cash equivalents in liquid bank deposits which provide a variable rate of interest.

Outstanding Share Data

The Company has one class of common shares: as at March 31, 2004, there were 38,736,966 common shares outstanding.

The Company has a stock option plan: As at March 31, 2004, there were no stock options outstanding, all of which have vested.

Subsequent Events

On May 2004 the company announced that it had arranged a non brokered private placement of two million shares at a price of 20 cents per unit. Each unit consists of one common share and one share purchase warrant with each entitling the holder to acquire a further common share for a period of two years at a price of 20 cents per share. The proceeds will be used to fund the pilot redevelopment program and general working capital.

Risk and Uncertainties

Except for historical information contained in this discussion and analysis, disclosure statements contained herein are forward-looking, which statements are subject to risks and uncertainties, which could cause actual results to differ materially from those in such forward-looking statements.

The Company is a mineral exploration and development company and is exposed to a number of risks and uncertainties that are common to other companies in the same business; some of these risks have been discussed elsewhere in this report.

The Company's financial success is subject to general market conditions which affect mining and exploration companies. The value of the Company's mineral resources and future operating profit and loss is affected by fluctuations in gold prices, over which the Company has no control, although it may choose to hedge some of its future production. The Company also competes with other mining companies which are larger and have more economic resources to acquire prospective exploration properties or producing mines.

The Company also faces certain risks and uncertainties specific to its circumstances. The Company's ability to obtain financing to explore for mineral deposits and to continue and complete the development of those properties it has classified as assets is not assured; nor is there assurance that the expenditure of funds will result in the discover of an economic mineral deposit. The Company has not completed a feasibility study on any of its deposits to determine if it hosts a mineral resource that can be economically developed and profitably mined. While the Company has used its best efforts to endure title to all its properties and secured access to surface rights, these titles or rights may be disputed.