Pacific Energy Resources

Management Discussion & Analysis

Three Months Ending December 31, 2005

Preparation Date: May 22, 2006

INDEX

Overview ---------- 4
Overall Performance ---------- 5
Selected Financial Data ---------- 5
Results of Operations ---------- 6
California Onshore Existing Properties ---------- 6
Green River Basin Project ---------- 7
Bakersfield Acquisition Project ---------- 7
California Offshore Project ---------- 7
Capital Resources & Liquidity ---------- 8
New Debt ---------- 8
Warrants Exercised ---------- 9
Cash & Cash Equivalent ---------- 9
Future Dividends ---------- 9
Off-Balance Sheet Arrangements ---------- 9
Related Party Transactions ---------- 9
Changes in Accounting Policy ---------- 9
Financial & Other Instruments ---------- 9
Outstanding Share Data ---------- 10
Subsequent Events ---------- 10
Business Risk & Risk Management ---------- 10
Future Prospects ---------- 11

PACIFIC ENERGY RESOURCES LTD.

MANAGEMENT DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis (MD&A) of Pacific Energy Resources Ltd is for the year ending December 31, 2005. This information is current to May 22, 2006. The discussion and analysis of the operating results and financial position of the Company should be read in conjunction with the Company's audited Financial Statements and related Notes ("the Financial Statements") for the year ending December 31, 2005, which have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) (see Summary of Significant Accounting Policies and Nature of Operations).

ABBREVIATIONS

Crude Oil & Natural Gas Liquids

bbls …….barrels
bbls/d …….barrels per day
mbbls …….thousands of barrels
mmbbls …..millions of barrels
mmboe …..millions of barrels of oil equivalent
mbbls/d …..thousands of barrels per day
mmbbls/d ..millions of barrels per day
boe/d ……..barrels of oil equivalent per day
mboe/d …..thousands of barrels of oil equivalent per day

Natural Gas

mcf …….thousand standard cubic feet
mmcf …….million standard cubic feet
mcf/d …….thousand standard cubic feet per day
mmcf/d ….. million standard cubic feet per day

Currency

$ …… United States Dollars
CDN$ …Canadian dollars

Forward Looking Statements

Certain information in this MD&A contain forward-looking statements and assumptions, such as those related to results of operations and financial conditions, capital spending, financial sources, commodity prices, costs of production, results of acquisition projects underway, environmental risks, regulatory matters and the magnitude of oil and gas reserves. By their nature, forward-looking statements are subject to numerous risks and uncertainties that could significantly affect anticipated results in the future and accordingly actual results may differ materially from those predicted. The forward-looking statements contained herein are as of May 22, 2006 and are subject to change after this date. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and as such, undue reliance should not be placed on forward-looking statements. The Company

disclaims any intention or obligation to update or revise these forward-looking statements, whether as a result of new information, future events or otherwise.

Significant Changes in Reporting

Effective with the Financial Statements for the three months ended March 31, 2005, the Company changed its reporting currency from Canadian dollars (CDN$) to United States dollars ($).

Overview

Pacific Energy Resources Ltd. (PERL) is an independent oil and gas production and development company with operations in California. The Company is focused on the acquisition and enhancement of mature oil and gas fields that would realize increased production utilizing modern engineering and production methods. During 2005, PERL achieved tremendous growth through acquisition and launched other acquisition projects that will have a very significant impact on the size of the Company during 2006.

On March 2, 2005, the Company acquired PetroCal, Inc., a private corporation organized under the laws of the State of Delaware, U.S.A. with oil and gas operations in California. The Company shared oil and gas leases with PetroCal. The Company issued 39,999,993 common shares to the shareholders of PetroCal, Inc. For accounting purposes, the acquisition of PetroCal has been recorded as a business combination merger. The acquisition of PetroCal increased PERL's oil and gas production by **about 365%.**

On August 30, 2005, the Company entered into a Participation Agreement with Shell of Houston, Texas and Wolverine Gas & Oil Corporation of Grand Rapids, Michigan to explore and develop oil & gas interests in a 99,000 acre area known as the Pacific Creek prospect, located in the Green River Basin of Wyoming (Freemont, Sweetwater, and Sublette counties). (See more details under Green River Basin Prospect)

On March 10, 2006, the Company started trading on the Toronto Stock Exchange under the symbol "PFE". Previously, the Company traded on the Toronto Venture Stock Exchange

The Company aggressively pursued a large acquisition target (Beta Project) during 2005. As a result of these efforts, the Company is now reviewing a Purchase and Sales Agreement with AERA Energy LLC (a partially owned subsidiary of Exxon-Mobil) to acquire three offshore platforms and AERA's oil & gas reserves in the Beta field, offshore Huntington Beach, California. A major New York investment bank has committed to provide substantial debt for this acquisition. (See more details under California Offshore Project)

During 2005, the Company also investigated a number of onshore acquisition targets in California. One such target was located in Bakersfield, California. We are currently reviewing the Purchase and Sales Agreement to acquire this Company and

are completing the due-diligence process. (See more details under Bakersfield Acquisition Project)

The Company is transitioning from a small independent oil & gas producer to mid-sized independent oil & gas producer. Upon completion of the two projects mentioned above, we expect the Company's oil and gas production to increase five folds**.** We expect further enhancements from all properties during the next few years.

Overall Performance

The year 2005 was an excellent year for the Company. Its oil & gas production for 2005 was 166,395 BOE as compared to 37,431 BOE for 2004, a 444% increase, mostly due to acquisition of PetroCal. The revenues increased from $1.176 Million to $7.376 Million, a 627% increase due to PetroCal acquisition and increase in oil & gas prices. The cost of production decreased from $18.44 per BOE to $14.93 per BOE, a decrease of 23.5%. The decrease in production cost was mostly from productivity increases. The net losses were $1.671 Million ($0.05 per share loss) as compared to $0.226 Million in 2004 ($0.02 per share loss). The Company paid about $4 Million for the Pacific Creek exploration & development project out of the current income. If it were not for this project, the Company would have shown an income of more than $1 million before taxes for 2005. The Company considers this an investment in the future.

Selected Financial Data

	As at and for the year ended December 31		
($)	2005	2004	2003
Total revenue	7,376,314	1,175,914	917,962
Production expenses per BOE	14.93	18.44	15.07
Cash at year end	4,409,014	130,559	77,539
Total assets	22,488,559	4,558,999	2,284,505
Earnings (loss) per share	(0.05)	(0.02)	(0.15)

The Company is in a strong financial position due to acquisition, cost reduction and strong oil & gas prices. As of December 31, 2005, it holds 100% interest in Net Proved Developed Producing reserves of 2.3 Million BOE and Net Proved Undeveloped reserves of 8.2 Million BOE for a total Net Proved Reserves of 10.5 Million BOE. DeGolyer and MacNaughton, a Houston based Independent Engineering and Consulting Firm completed an evaluation of the Company's reserves as of September 1, 2005.

The net earnings for 2005 were impacted by the Company's acquisition efforts in two ways. First, as part of the Pacific Creek Participation Agreement, the Company paid approximately $4 million for the 3-D survey. In accordance with Canadian generally accepted accounting principles, under the successful efforts method of accounting for its petroleum and natural gas operations, the entire amount was considered an expense for 2005. Second, the acquisition of PetroCal and the continuing efforts for acquisition of other properties resulted in higher overheads for legal, auditing and consulting fees.

Results of Operations

California Onshore Existing Properties

The Company is the lessee and operator of onshore fields located in the Los Angeles Basin in southern California that currently produce approximately 500 barrels of oil and gas equivalent per day ("boe/d"). The majority of Pacific Energy's productive acreage is contained within the giant Wilmington Oil Field located in the city of Long Beach, California. In addition, the Company produces oil & gas from Long Beach Oil Field, Rosecrans Oil Field and Rosecrans East Oil Field. The quarterly production results from these fields for the last three years are as follows:

Quarterly Production Volumes (Bbls)*

Year	Q1	Q2	Q3	Q4	Total
2005	18,433	42,280	42,087	43,698	146,498
2004	9,283	9,480	9,340	9,329	37,432
2003	9,891	9,843	10,253	10,068	40,055

* results for 2005 are impacted by PetroCal acquisition

The Company has a development plan for its existing properties. The plan calls for drilling of an additional 72 wells (67 Producers and 5 injectors). The drilling of these wells is expected to increase production from the present 500 BOEPD to a peak of 2250 boe/d. The drilling activity is behind originally anticipated schedule due to scarcity of drilling rigs. The Company expects to start drilling of the first well in June 2006. If the Company is able to get drilling rigs, it expects to complete 12 to 15 wells this year at a cost of $9 Million to $12 Million. The California Division of Oil & Gas and City of Long Beach has already permitted six of these wells. Two or three of this year's wells are designed to be water injection wells. The producing wells are expected to have an initial production of 40 to 50 BOPD. With the current high oil prices, the Company anticipates that current cash flow and debt capacity should be adequate to fund this development program.

The Company continues to evaluate acquisition targets within its key area of operation, Long Beach primarily within the Wilmington field. The main objective of the Company is to be in excess of 1000 barrels on-shore oil per day production by

the end of 2006, and to accomplish this through both the continued development of current assets, and additional acquisitions.

Green River Basin Prospect

The Company on August 30, 2005 entered into a Participation Agreement with Shell of Houston, Texas and Wolverine Gas & Oil Corporation of Grand Rapids, Michigan. This agreement entitles the group to explore and develop oil & gas interests in a 99,000 acre area known as the Pacific Creek prospect, located in the Green River Basin of Wyoming (Freemont, Sweetwater, and Sublette counties). The Pacific Creek prospect has structures identified by a 2-D seismic survey, which has been further defined by a US $4 Million 3-D seismic survey over 130 square miles, funded by Pacific Energy. Based on the results of the 3-D survey and geologic modeling, two prospective wells are planned to be drilled before the end of 2006. Upon completion of the obligations under the Agreement, the Company will earn a 40% working interest in approximately 85% of the area and a 28% working interest in approximately 15% of the area. The expense for the seismic survey was written off per accounting rules.

The Jonah field, located 20 miles NW of the Pacific Creek prospect is an analogue for the strike-slip traps in the west part of the Pacific Creek acreage and has an estimated 10.5 trillion cubic feet of gas.

Five wells have been staked out for drilling. The present schedule calls for the drilling to start in October of this year. A 2000 horsepower rig has been arranged to drill the first well. The permitting process for drilling of these wells will start by June 2006.

Bakersfield Acquisition Project

During 2005, the Company reviewed information on a number of oil & gas properties in California. As a result of these efforts, we are now reviewing a Purchase & Sales agreement with a company located in Bakersfield, California, in order to acquire this company. The due-diligence process will be completed by first week of June 2006. This company currently produces about 325 BOPD. It has a number of underdeveloped and undeveloped assets. If progress continues as anticipated, the Company will complete this transaction in June 2006.

California Offshore Project

Since the start of 2005, Pacific Energy has been negotiating with AERA Energy LLC regarding a sale of its interest in the Beta Oil Field, offshore California. Currently the Company is reviewing the Purchase and Sale Agreement. The acquisition will be financed by debt and equity. The Company has signed an agreement with a large New York investment bank to provide substantial portion of debt needed for this acquisition. Several investment companies have shown interest to participate in the equity portion.

The Beta Oil Field is located in San Pedro Bay Area, in Federal waters, nine miles offshore Long Beach, California. The leases involved are POCS 300, 3001 and 306. A complex of two production platforms (Eureka and Ellen) and a facilities Platform (Elly) handle production from these leases.

The Beta Field was discovered in 1976. Aera Energy and its predecessor companies have operated and maintained Platforms Eureka, Ellen and Elly since production started in 1981 from Platform Ellen. Production began on Platform Eureka in 1985, and peak production from the Beta Field of 20,800 barrels of oil per day was reached in 1986. Platform Edith, a third producing platform also in the Beta Field, is neither owned nor operated by Aera and is not included in the proposed purchase.

Platform Eureka was shut down in 1999 due to a leak in the product shipment pipeline, at which time it was producing over 4,400 barrels of oil per day. Platform Ellen is currently producing 2,150 barrels of oil per day. The estimated original oil-in-place for the Beta Field is 590,000,000 barrels of oil. Cumulative production through 2005 for the Beta Field is estimated at 96,000,000 barrels of oil or approximately 16% of the original oil in place. Netherland, Sewell & Associates, Inc., an independent consulting firm hired by the Company has estimated Proved Reserves from the leases to be acquired to be 19.2 Million barrels of oil. In addition, the firm has estimated Probable Reserves of 11.5 Million barrels and possible Reserves of 30.8 Million Barrels.

Other Opportunities

The Company continues to be active in Russia, and is currently evaluating and negotiating on a number of opportunities.

Capital Resources and Liquidity

Under the present environment in the energy industry and the strong prices for oil & gas, the Company is an excellent position to raise capital at reasonable rates from outside sources as well as have enough cash from the existing operations to meet any foreseeable capital needs. The Company expects to continue acquisition of desirable oil and gas properties and hence needing additional capital.

New Debt

On December 28, 2005, the Company closed escrow on a significant debt financing. Total debt incurred is $13,000,000 comprised of an $8,000,000 secured note and a $5,000,000 secured convertible note. The secured convertible note is for 3,714,286 warrants convertible to1,857,143 shares at a price of CND$0.99 and 1,857,143 shares at a price of CND$1.19. The expiry date for the warrants is December 23, 2010. From the proceeds of this loan, the Company has used $2.473 Million to pay off existing notes and $3.5 Million to pay for Pacific Creek exploration project. About $3 Million of the proceeds are in cash with the Company. Another $1 Million went to finder's fee, loan fees and due-diligence costs. The amount of $3 Million is in

restricted cash, reserved exclusively for future drilling costs associated with the Pico leases.

Warrants Exercised

Warrants were exercised in June 2005 in the amount of $161,675.22 for 666,667 shares. Additional warrants were exercised in October 2005 in the amount of $331,320.00 for 888,889 shares. In December 2005, $1,006,208.38 of debentures were converted into common stock totaling 1,555,871 shares.

Cash & Cash Equivalents

On December 31, 2005 the Company had cash and cash equivalents of $7,509,113, compared to $153,181 on December 31, 2004. About $3,100,000 of cash & cash equivalent at hand is restricted for drilling on various existing leases. The working capital surplus was $5,078,549 on December 31, 2005 compared to a deficit of $316,590 on December 31, 2004.

In late 2005, the Company entered into an agreement with a large New York investment bank to provide a senior secured credit facility of up to $100 Million debt financing for the purpose of acquiring three offshore platforms along with Oil & Gas reserves associated with Beta Field from Aera Energy LLC, a partially owned subsidiary of Exxon-Mobil. We anticipate releasing more detailed information on this in the next two months.

Pacific Energy continues to raise capital to fund its acquisition and development program in California. 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. Given the current high prices being paid for crude oil, the market has been able to fulfil industry needs to date.

Future Dividends

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

There were no related party transactions during 2005.

Changes in Accounting Policy

Effective with the Financial Statements for the three months ended March 31, 2005, the Company changed its reporting currency from Canadian dollars (CDN$) to United States dollars ($).

Financial and Other Instruments

The Company's financial assets and liabilities consist of cash, short-term

investments, and receivables, accounts payable and accrued liabilities.

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. On December 31, 2005, there were 56,963,538 common shares outstanding. The increase during 2005 reflected the issue of 39,999,993 shares for the acquisition of PetroCal, 1,622,010 shares issued as a result of the exercise of warrants, and 1,555,871 shares issued due to debentures being converted.

The Company has a stock option plan; on November 8, 2005, the Company granted stock options for 3,350,000 shares at CND$0.84 per share to key employees and directors.

Selected Quarterly Information

The following tables show revenue & income data of the most recent eight quarters. In March of 2005, the Company acquired the additional 75% of the California Joint Venture that was held by PetroCal and as such revenues & income from March 3, 2005 onwards reflect results of this investment.

2005	Q1	Q2	Q3	Q4	Total
Total Revenues	828,124	1,964,367	2,348,660	2,235,163	7,376,314
Net Income (loss)	98,088	470,668	168,642	(2,408,282)	(1,670,884)
2004 (Restated)	Q1	Q2	Q3	Q4	Total
Total Revenues	251,895	336,045	331,090	256,882	1,175,912
Net Income (loss)	98,623	42,005	19,074	(386,151)	(226,449)

Subsequent Events

All subsequent events have been fully described in the text above

Business Risks & Risk Management

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 long-term commercial success of the Company depends on its ability to find, acquire, develop and commercially produce oil reserves. Pacific Energy attempts to reduce these risks through the combination of experienced personal with local knowledge and careful evaluation.

Commodity price fluctuations can pose a risk to the Company, and management monitors these on an ongoing basis. External factors beyond the company's control

may affect the marketability of the oil and gas produced. The Company currently has no hedging instruments in place although it has in the past and may decide to do so in the future.

The Company has selected appropriate personnel to monitor field operations and has some automated field information where possible, so that difficulties and operational issues can be assessed and dealt with on a timely basis, and so that production can be maximized as much as possible.

Oil and gas exploration, development and production operations are subject to all the risks and hazards typically associated with such operations, including hazards such as fire, explosion, blowouts and spills, each of which could result in damage to wells, production facilities, other property and environment or in personal injury. In accordance with industry practice, the Company insures against most of these risks (although not all such risks are insurable). The Company maintains liability insurance in an amount that it considers consistent with industry practice; although the nature of these risks is such that liabilities could potentially exceed policy limits. The Company also reduces risk by operating all its current properties; as such it has control over quality of work and performance.

The Company anticipates making substantial capital expenditures in the future for exploration, development and acquisition and production of oil and gas reserves. If the Company's revenues or reserves decline, it may have limited ability to expend the capital necessary to undertake or complete future development programs. There can be no assurance that debt or equity financing will be available. The Company mitigates this risk by monitoring expenditures, operations and results of operations in order to manage capital effectively.

Future Prospects

Management is optimistic about the growth potential of the Company. Pacific Energy has a large number of proven undeveloped locations to be drilled. Although there are some mechanical challenges inherent in our main area of operation, the Wilmington Oil Field, our preliminary results are positive and point to an asset with much undeveloped potential. With proper risk management and careful evaluation management believes that the Company will continue to grow.