

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis (MD&A) of Pacific Energy Resources Ltd. (the "Company") is for the period ended June 30, 2007. This information is current to August 10, 2007. The discussion and analysis of the operating results and financial position of the Company should be read in conjunction with the Company's unaudited Financial Statements and related Notes ("the Financial Statements") for the period ending June 30, 2007, which have been prepared in accordance with Canadian generally accepted accounting principles (GAAP).

Forward Looking Statements

Certain information in this MD&A contains 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, 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 August 10, 2007 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.



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Overview

Pacific Energy Resources Ltd. is an independent oil and gas production and development company with operations both onshore and offshore California and Wyoming. The Company is focused on the acquisition, exploitation, exploration, and development of oil and gas properties. The strategy is two fold: first to develop its large inventory of proved undeveloped reserves and second to focus on acquiring assets with low risk exploitation and development potential (Proven Undeveloped Reserves) at below market multiples. The Company will supplement this low risk strategy from time to time by participating in high impact exploration projects.

Overall Performance

The second quarter of 2007 continued to establish the Company as a strong independent producer of oil and gas. The second quarter represents the first full quarter that the Company was the owner and operator of the offshore Beta Unit. As such, the Company made considerable headway at managing both cost containment and implementing top side improvements in advance of the new well program expected to start at the end of this year for Platform Ellen. Production was stable despite the numerous upgrades that were ongoing during the period. The Company continues to make headway in preparing for the return to production of Platform Eureka and expects to begin the drilling of the well bore connect for that platform within the next 6 months.

Pursuant to its ongoing acquisition strategy, the Company announced on May 29, 2007 that it had entered into an agreement with Forest Oil Corporation (NYSE:FST) to purchase substantially all of its ongoing Alaskan operations. The Company also announced that it had secured a funding commitment up to \$465,000,000 to close the transaction. The Company is extremely excited about the development potential and significant reserve base associated with this acquisition. In addition to the proven reserves, there are several high impact exploration targets for which the Company has plans over the next 12-18 months. On August 01, 2007, the Company announced restated terms for the Alaskan acquisition and an anticipated close date on or before August 24, 2007. Under the restated terms, the Company will pay approximately \$400,000,000 cash, issue 10,000,000 shares of common stock, and take on a seller note with a net present value of approximately \$30,000,000 maturing in 2014. The independent consulting firm of DeGolyer & MacNaughton estimates 26.06 million barrels equivalent (MMBOE) of net Proved reserves with an additional 27.82 MMBOE of net Probable reserves and 6.72 MMBOE of net Possible reserves under current Nymex strip prices.

Pursuant to its onshore redevelopment program, the Company announced in June that it had begun its drilling program at both the Wilmington Field in the Los Angeles Basin and the McDonald Anticline Field in the San Joaquin Basin. The Company has completed two wells at each location and expects to announce the production numbers once the wells have stabilized. These wells are part of a larger drilling program that calls for additional wells to be drilled at each location over the next several months.



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In Wyoming the Paladin 15-18 well was successfully drilled in March 2007 and cemented to a total depth of 13,851 feet. This well is located approximately 20 miles southeast of the Jonah gas field. On July 18th, the Company announced that the completion activities for the Paladin 15-18 well have commenced. The fracture stimulation has begun and the Company expects the well fracture stimulation and production testing to be completed within 45 days. A total of 10 fracture stimulation stages will be carried out in the Mesa Verde and Lance sands. Under the Participation Agreement, the Company expects to spud the Ranger 7-21 well at the end of 2007.

Results of Operations

With numerous ongoing activities, the Company believes that the second quarter represents some positive areas that need to be highlighted. The income section of the P&L highlights both gross revenue and total revenue after non cash hedging gains (losses) are deducted and other income are included. For purposes of this discussion, Management believes it is most helpful to focus on the gross revenue line item for analysis purposes. As such, all percent to sales numbers are depicted off of this number.

Gross revenue from oil and gas sales was up 512% from the year ago period and up more than 100% from the first quarter of the year. This is due to the full integration of the Beta Unit which clearly highlights the transformational impact of the Beta acquisition on the Company. As previously reported, the Company has a focus on cost reduction and redevelopment. To this end, production expenses were down from 65% of gross revenue in the first quarter to 56% of gross revenue for the second quarter. This is a direct result of the Company's ongoing commitment to cost reduction. The Company has identified additional areas for operational improvement that will continue to reduce production expenses, but would like to point out that notable reductions in production costs per barrel will be realized with the return to production of Platform Eureka.

G&A is nearly flat from the year ago period up only 1% despite the Beta acquisition, and is down as a percentage of gross revenue from the prior period from 18.4% to 8.2%. Management believes this is the result of a more normalized corporate overhead cost structure that is now appropriate for the size and complexity of the ongoing operations.

Due to the recent drilling and acquisition programs, the debt burden of the Company has increased such that the interest and financing costs represent nearly 20% of the gross oil and gas revenue. Despite these increased costs, Management believes that it can appropriately deploy this debt to achieve returns well in excess of the Company's cost of capital. Interest and financing costs remained relatively flat from the prior period.

With the increase in the producing asset base, the DD&A costs have increased from the year ago period by nearly 1800%, however, they have remained flat as a percentage of gross oil and gas revenue from the prior period. The net loss for the period was \$12,291,683 which is up from \$6,447,340 from the prior period. The increase is primarily due to the full quarter of DD&A expense associated with the Beta Unit assets and



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production. This represents a \$0.10 basic earnings per share loss for the quarter ended. Despite the weakness in this number, Management believes that its ability to deliver positive earnings for

the Company is directly correlated to the successful return to production of Platform Eureka. For the period ended, the Company had negative EBITDA in the amount of \$1,288,047.22. Management is encouraged by the positive trend in EBITDA from the prior period and expects to have positive EBITDA in the subsequent period. In addition, the Company reported a negative cash flow from operations of \$578,653. This also represents a positive trend from the prior period where the cash flow from operations was a negative \$3,231,794. In addition to positive EBITDA, Management expects to be generating positive cash flow from operations in the third quarter.

The Company's asset base decreased slightly from the prior period down from \$232,942,160 to \$221,464,415. This is primarily due to a decrease in its cash position. The Company's cash balance as of June 30, 2007 was \$16,787,914 down from \$26,935,779 in the prior period. The consumption of cash was mainly used for top side Beta Unit improvements and pre-work for the various ongoing drilling activities. While the Company believes that its cash position is sufficient to carry out its planned activities for the next several months, it announced on June 21, 2007 a proposed private placement of CAD\$50,000,000 to be completed over the next few weeks. In addition, the Company will be acquiring a working capital balance in the Alaska acquisition with a cash position estimated to be approximately \$15,000,000. Management believes that the aggregate of these cash sources will be sufficient to allow all of the programs to continue on schedule.

	Beta Unit	LA Basin	San Joaquin	Total
Oil Production (Barrels)	180,841	42,897	29,519	253,258
Realized Price/ Barrel	54.73	56.46	60.89	55.74
Oil Revenue	\$9,896,990	\$2,421,942	\$1,797,463	\$14,116,397
Gas Revenue	\$0	\$203,167	\$0	\$203,167
Total Gross Revenue	\$9,896,990	\$2,625,109	\$1,797,463	\$14,319,564
% of Field Contribution \$'s	69%	18%	13%	100%
% of Field Contribution Barrels	71%	17%	12%	100%

As stated previously, the Company acknowledges that the purchase of the Beta Unit was a transformational event for the Company in terms of asset base and reserves. It is also important to note that the return to production of Platform Eureka will be transformational in terms of the impact to earnings. Having said that, the cost structure per barrel (net of royalties) is currently higher than it will be in subsequent periods for the Beta Unit. The higher cost is due to the fact that the costs of operating three platforms are being absorbed



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by one producing platform. Currently platform Eureka incurs costs despite no production. In addition, much of the fixed cost associated with processing the gross fluids that will come from Eureka will be absorbed only by the production from Ellen. When platform Eureka comes back on line, many of these fixed costs will be allocated across a significantly higher production rate. As such, Management believes that it can reduce LOE/ barrel below \$30 once Eureka is back on line.

Other Opportunities

The Company continues to actively evaluate and pursue potential producing reserve acquisitions in its strategic areas of operation.

Capital Resources and Liquidity

Under the present environment in the energy industry and the strong prices for oil and gas, the Company is in 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 acquisitions of desirable oil and gas properties and hence may need additional capital.

New Debt

The Company did not incur any new debt during the second quarter of 2007.

Warrants Exercised

The Company had warrants exercised during the second quarter based on the following amounts:

May 24, 2007	\$38,694.25	was received for 25,000 shares.
June 05, 2007	\$1,511,370.07	was received for 966,000 shares.
June 05, 2007	\$20,536.54	was received for 13,150 shares.

A total of \$1,570,701 (\$100 for par value) was received in warrants exercised during the second quarter.

Cash & Cash Equivalents

As of June 30, 2007, the Company had an unrestricted cash balance of \$16,787,914. Approximately 95% of the cash position is held in a lockbox account to be used for the detailed and aggressive redevelopment projects.

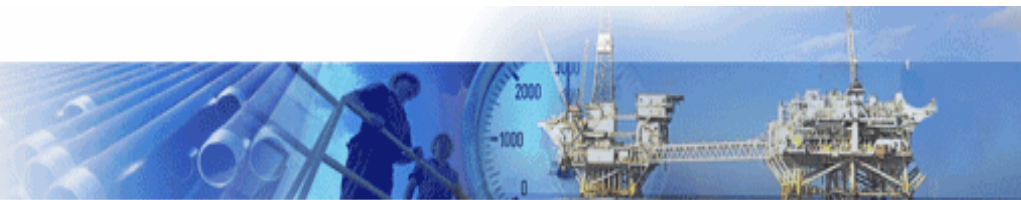
The Company has an ongoing program to evaluate options for raising additional funds if needed for both development and acquisition related activities.

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.



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Related Party Transactions

The Company has incurred approximately \$121,340 of costs in transactions with related parties during the first half of 2007. See note 9 in the Company's unaudited financials for more detailed information.

Changes in Accounting Policy

The Company did not change accounting policies during the first half of 2007 that would produce any material impact to the financial statements. See Note 3 of the Company's unaudited financial statements for additional information.

Financial and Other Instruments

The discussion in this section provides information about financial instruments the Company uses to manage commodity price volatility. To the extent the Company borrows amounts under its credit facilities; it is subject to interest rate risk because such amounts bear interest at variable rates. At June 30, 2007, approximately \$86 million of indebtedness was outstanding under the Company's various credit facilities.

The Company's financial assets and liabilities consist of cash, short-term investments, receivables, accounts payables, and accrued liabilities. The Company has placed its cash and cash equivalents in liquid bank deposits, which provide a variable rate of interest.

Due to the historical volatility of crude oil and natural gas prices, as well as credit agreement requirements, the Company has an ongoing hedging strategy aimed at reducing the variability of the prices it receives on its production and providing a calculable minimum revenue stream. Currently, the Company has entered into production swaps and put options aimed at ensuring a minimum amount of revenue is realized sufficient to cover its existing debt burden. As the Company layers on incremental and new production, it will review the effectiveness of its commodity risk management strategies.

Outstanding Share Data

The Company has not issued any additional shares during the second quarter of 2007, however, the Company announced on August 01, 2007 that it will be issuing 10,000,000 shares of common stock to Forest Oil Corporation (NYSE:FST) as part of the acquisition of its Alaskan operations.

Selected Quarterly Information

The following tables show revenue and income data of the most recent eight quarters:

	Q3 2006	Q4 2006	Q1 2007	Q2 2007
Total Oil & Gas Revenues	3,803,049	3,269,706	6,845,039	7,751,839
Net Income (loss)	(899,723)	(10,498,572)	(6,452,102)	(12,291,683)
	Q3 2005	Q4 2005	Q1 2006	Q2 2006



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Total Revenues	2,348,660	2,235,163	2,056,166	2,333,949
Net Income (loss)	168,642	(2,408,282)	(133,266)	(492,180)

Subsequent Events

All subsequent events have been fully described in the text above and the accompanying notes to the unaudited financial statements.

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. The Company attempts to reduce these risks through the combination of experienced personnel with local knowledge and careful evaluation. Commodity price fluctuations can pose a risk to the Company, and management monitors this on an ongoing basis. External factors beyond the Company's control may affect the marketability of the oil and gas produced. The Company has selected appropriate personnel to monitor field operations and has automated some field information where possible so that difficulties and operational issues can be assessed and dealt with on a timely basis and production 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 of its current properties; as such it has control over the quality of work and performance.

The Company anticipates making substantial capital expenditures in the future for exploration, development, 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. In addition, the Company has significant commitments and contingencies that may impact its ability to grow in the future.



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Future Prospects

Management is optimistic about the growth potential of the Company. The Company has a large number of proven undeveloped locations in inventory to be drilled. The prospect of returning Platform Eureka to production should add substantial growth in proved reserves and production in 2008 and beyond. The Company has a significant acreage with various attractive exploration targets. Although there are some mechanical/operational challenges inherent in areas of its operations, with proper risk management and careful evaluation, management believes that the Company will continue to achieve multi-digit growth.

Internal Disclosure Controls

The Company places considerable diligence on the appropriate capture and reporting of financial information. It further recognizes the need for timeliness with respect to management reporting to the appropriate internal personnel including the Chief Executive Officer and the Chief Financial Officer among others, but it also recognizes the importance of effectively communicating relevant information to the investor community. With this in mind, the Company has designed internal controls specifically aimed at providing a reasonable level of assurance that material transactions are reported, accounted for properly, and effectively communicated to key decision makers within the organization.

While no internal control system will prevent intentional omissions or fraud, Management believes it has designed a system appropriate for the current level of complexity it is managing. While it believes that the current internal disclosure controls are adequate, Management continues to focus considerable attention to further strengthening the segregation of duties along with the overall framework of internal control over financial reporting.

In accordance with Multilateral Instrument 52-109, the Company's Chief Executive and Chief Financial Officers are required to sign individual Certifications of the Annual Filings. These have been filed separately from the Management Discussion and Analysis and are available for viewing on SEDAR.com.

