EXHIBIT D

PRC 7911.1
PRC 4000.1

CARONE PETROLEUM CORPORATION
1145 EUGENIA PLACE, SUITE 200
CARPINTERIA, CA 93013

January 20, 2009

Mr. Gregory D. Scott, Assistant Chief
Mineral Resources Management Division
California State Lands Commission
200 Oceangate, 12th Floor
Long Beach, CA 90802-4331

RE: PRC 7911/4000 Development from OCS Platform Hogan

Dear Mr. Scott:

This letter is in response to your September 30, 2008 letter regarding the status of the permitting activity related to the subject development. As a result of two recent follow-up meetings that we have had with you and your staff, we have developed a response that we believe represents our recent discussions, as well as accommodates certain national and world-wide developments that have occurred since those discussions.

We understand from our meetings that a re-start of the environmental impact /CEQA process will most likely entail a re-bid of the work to qualified EIR vendors. We understand the State's current estimate for this work is $325,000. We also understand that the current estimate for the State's budget to review future work and submittals (both from Carone and others) is approximately $325,000 for a total combined budget of $650,000.

During our November 4, 2008 meeting with you and other CSLC staff Carone Petroleum made it clear that they were currently pursuing a financing process that would raise the capital required to fully fund this project. We made certain representation and project commitments to you as a result. At that time, however, the price of crude oil was trading at approximately $65 / bbl. Unfortunately, since then the price has dropped another $20 - 25 / bbl., with some "experts" predicting further declines soon to come. This additional drop in price along with the ongoing turmoil in the financial markets and the dramatic downturn in the overall economy has resulted in our lenders advising the company that the financing process must be put on hold until their own situations stabilize and world oil price again achieves some measure of predictability.

Our situation is not unique. As you are fully aware, most of the country's huge institutions, such as Citibank, as well large insurance companies and the Detroit automakers are all reeling from the downturn and are all receiving bailout assistance from the Federal government. Similar help is also being sought by entire economic sectors, such as housing and the several states, including California. That bailout process is now being played out in agonizing detail before all our eyes on the evening news. Accordingly, in view of these extraordinary circumstances (all of which are beyond our ability to control), we have no choice but to ask you for a "bailout" as well, in the form of additional time to allow the

markets to stabilize. We do not know how long that will take, although we shall be pleased to provide you with monthly reports of our own loan negotiation status. Our hope here is to do whatever we can to demonstrate how important these California State lease reserves are to us, as well as to our prospective lenders. Because of that importance, you may be assured that we are leaving no stone unturned to conclude successful financing negotiations at the earliest possible moment. Once that is accomplished, you will have no reason to fear that our efforts to expedite full development of those reserves will be dilatory; the oversight of our lenders will effectively prevent that.

Accordingly, as discussed during our November 4, 2008 in your office, Carone Petroleum has agreed to the following:

1) Once monthly average NYMEX crude oil price reaches $60/bbl for a minimum of three consecutive months, we agree to enter into a new reimbursable agreement in the amount of $650,000. Funding of this agreement will require an initial deposit of $50,000 at time of execution and the balance due when the company completes its financing process.

2) Carone will continue its efforts to complete a seismic requalification of platform Hogan. A large amount of progress has been made on this effort and we expect to have a design brief submitted in January, 2009 and final results submitted within the first quarter of 2009.

3) As part of the EIR / CEQA process, Carone will submit an updated State Lease Development Plan to CSLC for their approval in the first quarter of 2009. This will provide a basis for transferring new and updated project information to the EIR / CEQA vendor.

4) Carone Petroleum has submitted a right of use and easement application to the Minerals Management Service to develop the State Lease reserves from federal water platform Hogan. The MMS has responded to the initial submittal with a request for additional information and clarification. Carone will complete the RUE application and resubmit in the first quarter of 2009.

We believe that this summarizes our agreement to the discussion points raised during our recent meeting at your offices and invite any additional thoughts you may have on this subject. In conclusion, we wish to take this opportunity to reiterate our strong desire to accomplish all those things necessary to allow us to commence our redevelopment of the properties under your jurisdiction as soon as practicable. Thank you for your courtesy and cooperation to date.

Very truly yours,

CARONE PETROLEUM CORPORATION

By:

Charles W. Cappel,
President