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January 23, 2009

Mr. Paul Maclean  
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RE: STATE LEASE 18258  
BAYOU POSTILLION FIELD  
Louisiana Legislative Auditor Meeting  
January 23, 2009

Dear Mr. Maclean:

Today I met with Ms. Jenifer Schaye and Mr. Dan Daigle at the Louisiana Legislative Auditor's Office at 10:00 am and reported an apparent violation of the Louisiana Public Bid Law regarding the referenced oil and gas lease covering State of Louisiana lands at the Bayou Postillion Field, Iberia Parish, Louisiana. Ms. Schaye and Mr. Daigle were both very familiar regarding the highly controversial Bayou Postillion Water Quality Project; however both were very direct in their response that the Legislative Auditor's Office would in all probability not be able to address any further investigation despite that newly submitted information.

Support information was supplied including certified copies regarding State Lease 18258 in addition to certified copies of the nomination letter, description and plat submitted May 24, 2004, utilizing what is believed to be a non-existent &/or fictitious entity, R.U. Mallet Associates, identified in Notice of Publication as Tract 36619, which on September 8, 2004, became State Lease No. 18258 containing 53 acres. That lease was awarded to and acquired in the name of Century Exploration New Orleans, Inc. and later assigned to Century Exploration Houston, Inc. This lease received one (1) single bid in the amount of \$327.00/acre (\$17,331.00 Bonus/\$8,665.50/Rental), 25% Royalty from Century Exploration New Orleans and has since produced millions of dollars in oil and gas production.

Ms. Schaye and Mr. Daigle were informed of the apparent and believed fraud that was committed in the nomination process as evidenced by review of that nomination letter and attached plat (dated April 24, 2004) which accompanied nomination fee on file with the Office of Conservation. A review of that file revealed the correct procedure of submittal of x/y coordinate description with accompanying US Quadrangle plat correctly identifying Bayou Postillion, however prior to publication within the Notice of Publication that plat for advertisement purposes was **intentional changed to eliminate the name of Bayou Postillion and in place named**

**Bayou Gravenburg which is located 18-20 miles west of Bayou Postillion on the opposite side of the Atchafalaya Basin.**

It was further explained a review of the State Land Office revealed that Bayou Postillion was never known as Bayou Gravenburg after extensive research and review of the Official Township Plats and Field Survey Notes dating to the mid 1800's at the State Land Office and that all maps/plats always listed Bayou Postillion correctly as shown on the original U.S. Quadrangle plat and correctly submitted under the name of R.U. Mallet Associates as prepared by Jack Stelly, Reg. Land Surveyor, dated April 24, 2004.

Ms. Schaye and Mr. Daigle were informed the changed heading identifying the incorrect name of Bayou Gravenburg was apparently intentionally altered by one or more individuals ***within and inside*** the Office of Mineral Resources, Department of Natural Resources responsible for that nomination and bid process administration procedure **in conjunction with one or more individuals or companies and/or the successful bidding company** now receiving royalty income which occurred during the time period of submittal of the original nomination (May 24, 2004) and the subsequent publication of the official Notice of Publication approximately ninety (90) days prior to that public lease sale that took place on September 8, 2004. That incorrect and intentionally altered plat within the Notice of Publication was then distributed by US Mail and electronic transmission regarding the nomination of Tract 36619, to thousands of prospective companies following the Louisiana Public Bid Process using that materially changed plat and then attached to State Lease 18258 awarded to Century Exploration of New Orleans. **The incorrect plat listing Bayou Gravenburg instead of Bayou Postillion to this date remains attached to State Lease 18258.**

There was a further discussion of the exact timing of the nomination and acquisition of these State lands in relation to the controversial Boundary Agreement and the Dredging and Spoil Disposal Servitude documents that were prepared by the Administration under Governor Mike Foster and waiting to be signed by the incoming Governor Kathleen Blanco (which was executed in May, 2004) and how the re-naming of Bayou Postillion to Bayou Gravenburg was beyond a reasonable ***mistake or coincidence*** due to the immediate controversy surrounding the project at that exact time period.

Noted on the U.S. Quadrangle plat covering Bayou Postillion, was the identification of ***Bayou Mallet, Little Bayou Mallet and Big Bayou Mallet*** in the vicinity of and adjacent to Bayou Postillion and the *d/b/a/* name used by the nominating company, **R.U. Mallet Associates.**

There was a detailed discussions regarding the apparent intentional material change made to the plat and the *d/b/a* nominating company name use to distract not only potential bidders (thus receiving a competitive advantage over other prospective oil and gas companies in the public bidding process) but also to intentional divert the project opponents (Mr. Harold Schoeffler, Sierra Club-Acadiana; Mr. Dean Wilson, Atchafalaya Basin Waterkeeper; Mr. Jody Meche, West Atchafalaya Basin Crawfish Association, et al) that were already threatening litigation (only days before) to stop the controversial project prior to commencement of the dredging project which was well documented. That intentional and deceptive action also diverted the various State and Federal agencies that would have been involved in the permit process regarding not only the water quality project but access issues related to the oil and gas exploration permits and mitigation requirements within the Atchafalaya Basin in which the Department of Natural Resources failed to perform resulting in the now current litigation.

We further discussed the current and pending litigation filed by Tulane Environmental Law Clinic after the dredge project was complete (filed August, 2008) with estimated environmental violations now totaling in excess of \$ 36,000,000.00+ and daily penalties of \$32,500.00 (for failure to mitigate among other items), in addition to the royalty income associated with State Lease 18258 since that lease was granted on September 8, 2004. An analysis of royalty and production income indicates as of October 1, 2008, State Lease 18258, containing 53 acres has **grossed in excess of \$15,106,380.00+** for Century Exploration with the State of Louisiana collecting **\$3,776,595.59 in oil and gas royalties through October 1, 2008**, from that single State Lease.

Ms. Schaye and Mr. Daigle were informed of the relationship of Century Exploration of New Orleans / Century Exploration of Houston and Tortuga Interests, Inc., the record title owner of adjacent State Lease 18070 (contiguous-west) and State Lease 19132 (contiguous-east), involving other oil and gas operations located at the S. Jeanerette Field, St. Mary Parish, Louisiana where significant environmental litigation is pending along with the questionable administration of Tortuga oil and gas leases at Bayou Postillion where some violations of statutory State law were recently waived (totaling \$26,700) by the Mineral Board and one penalty currently existing that remains outstanding despite notification by my firm to the Office of Mineral Resources dating back to September, 2007.

In addition we discussed the event of some of the private landowners within the Kyle-Peterman Management Corporation, were also those same individuals owning interests within Tortuga Interests, Inc. and the obvious conflicts-of-interest since the CEO and Procurator (Power-of-Attorney) agent of that land group, Mr. Newman Trowbridge, Jr., was also on contract with the Attorney General's Office and the Department of Natural Resources at the identical time of the dredging project and oil and gas leasing.

It should also be noted a review of the Lease Instrument file for State Lease 18258 incorrectly lists four assignments placing State Lease 18258, in "St. Mary Parish" instead of the correct listing of "Iberia Parish", on the docket agenda which was believed to intentionally divert attention while seeking Mineral Board approval and consent within public hearing meetings.

Ms. Schaye and Mr. Daigle were informed the geographic perimeters of the prolific State Lease 18258 covers almost one-half of the water bottoms of Bayou Postillion dredged within the Bayou Postillion Water Quality Project in which surface and valuable mineral interest was transferred to the adjacent property/mineral owners (Kyle-Peterman Management Corp. principals and affiliate owners of Tortuga Interests, Inc.), the very same group that was acquiring oil and gas leases at the immediate end of the dredge project prior to the commencement of dredging and prior to the execution of documents by Governor Kathleen Blanco.

At the closing of the one and one half (1.50) hour meeting Ms. Schaye and Mr. Daigle were informed there was at least one entity that would likely be filing suit regarding violations of the Louisiana Public Bid law and the apparent improper activities associated with the granting of State Lease 18258. Certified copies obtained from the Office of Mineral Resources as described below along with copies of the numerous news articles surrounding the controversial dredging project were given to and left with Mr. Daigle and Ms. Schaye. Although both representatives of the Louisiana Legislative Auditor's Office acknowledged the matter warranted further investigation based on the newly submitted information, they remained doubtful their superiors would instruct them to pursue the apparent violations of law any further.

As you are well aware, within the first sixty three (63) days of Governor Bobby Jindal's election, Inspector General Stephen Street as appointed by Governor Jindal refused to investigate the Bayou Postillion matter and actually closed that file. Since Inspector Street closed that file on March 8, 2008, there has been a multi million dollar (\$36,000,000+) environmental lawsuit filed (August, 2008) and now questionable violations of the Louisiana Public Bid law regarding oil and gas revenues in excess of \$15,000,000+ as reported today to the Legislative Auditor.

It appears for any action to take place it will be necessary to seek assistance outside of the State of Louisiana, possibly within the Justice Department in Washington, D.C. Hopefully with the changing administration there will be an effort to enforce transparency in government and to clean up corruption that has plagued our State for decades. Your comments and suggestions are welcome in what appears to be one of the largest scandals and cover-ups in recent history in Louisiana.

Sincerely,

*Dan S. Collins*

Dan S. Collins, CPL  
 Dan S. Collins, CPL & Associates, Inc.

Certified copies of the following documents were supplied to the Louisiana Legislative Auditor's Office:

# Lease Instruments

Lease Num	Original Lessee	Instrument Id	Instrument Date	Inst Type Code	Lease Type Desc	Description
18258	CENTURY EXPLORATION NEW ORLEANS, INC.	K	12-MAR-08	1	ASSIGNMENT	ASSIGNMENT DOCKET ITEM NO. 61 FROM THE MARCH 12, 2008 MEETING BE APPROVED, SAID INSTRUMENT BEING AN ASSIGNMENT FROM CENTURY EXPLORATION HOUSTON, INC. TO RAAM EXPLORATION, LLC, AN UNDIVIDED 31.875% OF 8/8THS INTEREST IN AND TO STATE LEASE NO. 18258, ST. MARY PARISH, LOUISIANA, INsofar AND ONLY INsofar AS SAID LEASE COVERS LAND WITHIN THE GEOGRAPHICAL CONFINES OF THE DISC 15 RC SUB. PENN VIRGINIA OIL & GAS LP IS DESIGNATED AS THE JOINT ACCOUNT LESSEE (CONTACT PERSON)

						PURSUANT TO STATE MINERAL BOARD RESOLUTION DATED SEPTEMBER 10, 1975.
18258	CENTURY EXPLORATION NEW ORLEANS, INC.	J	12-MAR-08	1	ASSIGNMENT	ASSIGNMENT COB 1362, PAGE 829, FILE #2007-00004870 (IBERIA) DOCKET ITEM NO. 60 FROM THE MARCH 12, 2008 MEETING BE APPROVED, SAID INSTRUMENT BEING AN ASSIGNMENT FROM CENTURY EXPLORATION HOUSTON, INC. TO RAAM EXPLORATION, LLC, AN UNDIVIDED 31.875% OF 8/8THS INTEREST IN AND TO STATE LEASE NO. 18258, ST. MARY PARISH, LOUISIANA, INSOFAR AND ONLY INSOFAR AS SAID LEASE COVERS LAND WITHIN THE GEOGRAPHICAL CONFINES OF THE DISC 15 RB SUB. CENTURY EXPLORATION HOUSTON, INC. IS DESIGNATED AS THE JOINT ACCOUNT LESSEE (CONTACT PERSON) PURSUANT TO STATE MINERAL BOARD RESOLUTION DATED SEPTEMBER 10, 1975.
18258	CENTURY EXPLORATION NEW ORLEANS, INC.	I	12-MAR-08	1	ASSIGNMENT	ASSIGNMENT DOCKET ITEM NO. 59 FROM THE MARCH 12, 2008 MEETING BE APPROVED, SAID INSTRUMENT BEING AN ASSIGNMENT FROM CENTURY EXPLORATION HOUSTON, INC. TO RAAM EXPLORATION, LLC, AN UNDIVIDED 31.875% OF 8/8THS INTEREST IN AND TO STATE LEASE NO. 18258, ST. MARY PARISH, LOUISIANA, INSOFAR AND ONLY INSOFAR AS SAID LEASE COVERS LAND WITHIN THE GEOGRAPHICAL CONFINES OF THE DISC 15 RB SUA. PENN

						VIRGINIA OIL & GAS LP IS DESIGNATED AS THE JOINT ACCOUNT LESSEE (CONTACT PERSON) PURSUANT TO STATE MINERAL BOARD RESOLUTION DATED SEPTEMBER 10, 1975.
18258	CENTURY EXPLORATION NEW ORLEANS, INC.	H	12-MAR-08	1	ASSIGNMENT	ASSIGNMENT DOCKET ITEM NO. 58 FROM THE MARCH 12, 2008 MEETING BE APPROVED, SAID INSTRUMENT BEING AN ASSIGNMENT FROM CENTURY EXPLORATION HOUSTON, INC. TO RAAM EXPLORATION, LLC, AN UNDIVIDED 42.5% OF 8/8THS INTEREST IN AND TO STATE LEASE NO. 18258, <b>ST. MARY PARISH</b> , LOUISIANA, INsofar AND ONLY INsofar AS SAID LEASE COVERS LAND WITHIN THE GEOGRAPHICAL CONFINES OF THE DISC 15 RA SUB. CENTURY EXPLORATION HOUSTON, INC. IS DESIGNATED AS THE JOINT ACCOUNT LESSEE (CONTACT PERSON) PURSUANT TO STATE MINERAL BOARD RESOLUTION DATED SEPTEMBER 10, 1975.
18258	CENTURY EXPLORATION NEW ORLEANS, INC.	G	30-MAY-07	82	PROPERTY UNITIZATION TRANSMITTAL	PROPERTY UNITIZATION TRANSMITTAL FOR THE DISC 15 RB SUB; MARIE SNYDER, SERIAL #233653, OOC ORDER #386-Y-2, OOC EFF.DATE 8-9-05, OOC DOCKET #05-839, AFFECTING STATE LEASE NO. 18258, BAYOU POSTILLION FIELD, IBERIA PARISH, LA.
18258	CENTURY EXPLORATION NEW ORLEANS, INC.	F	08-MAY-07	82	PROPERTY UNITIZATION TRANSMITTAL	PROPERTY UNITIZATION TRANSMITTAL FOR THE DISC 15 RC SUB;COTTEN LD CORP UNIT, BAYOU POSTILLION FIELD, OOC ORDER #386-Y-2, OOC EFFECTIVE DATE 8/9/05,

						OOC DOCKET #05-839, AFFECTING STATE LEASE NOS. 2655, 18258 AND 18859, IBERIA PARISH, LOUISIANA. FOR ORIGINAL INSTRUMENT, SEE STATE LEASE NO. 2655 "5B"
18258	CENTURY EXPLORATION NEW ORLEANS, INC.	D	04-OCT-06	82	PROPERTY UNITIZATION TRANSMITTAL	PROPERTY UNITIZATION TRANSMITTAL FOR THE DISC 15 RB SUA, COTTEN LD CORP., AFFECTING STATE LEASE NOS. 18070, 18258 AND 18859, BAYOU POSTILLION FIELD, IBERIA PARISH, LA. FOR ORIGINAL INSTRUMENT SEE SL 18070 "B"
18258	CENTURY EXPLORATION NEW ORLEANS, INC.	E	13-SEP-06	1	ASSIGNMENT	ASSIGNMENT DOCKET ITEM NO. 2 FROM THE SEPTEMBER 13, 2006 MEETING BE APPROVED, SAID INSTRUMENT BEING AN ASSIGNMENT FROM CENTURY EXPLORATION NEW ORLEANS, INC. TO CENTURY EXPLORATION HOUSTON, INC., OF ALL OF ASSIGNOR'S RIGHT, TITLE AND INTEREST IN AND TO STATE LEASE NO. 18258, IBERIA PARISH, LOUISIANA. CENTURY EXPLORATION NEW ORLEANS, INC. IS THE DESIGNATED OPERATOR.
18258	CENTURY EXPLORATION NEW ORLEANS, INC.	C	01-NOV-05	82	PROPERTY UNITIZATION TRANSMITTAL	PROPERTY UNITIZATION TRANSMITTAL FOR THE DISC 15 RA SUB; HH&L, SERIAL #230544, OOC ORDER #386-Y-2, OOC EFF.DATE 8-9-05, OOC DOCKET #05-839, AFFECTING STATE LEASE NO. 18258, BAYOU POSTILLION FIELD, IBERIA PARISH, LA.
18258	CENTURY EXPLORATION NEW ORLEANS, INC.	B	01-NOV-05	82	PROPERTY UNITIZATION TRANSMITTAL	PROPERTY UNITIZATION TRANSMITTAL FOR THE DISC 15 RA SUB, SERIAL #230544, OOC ORDER #386-Y-2, OOC DOCKET #05-893, AFFECTING STATE LEASE NO. 18258, BAYOU POSTILLION FIELD,

						IBERIA PARISH, LA.
18258	CENTURY EXPLORATION NEW ORLEANS, INC.	A	08-SEP-04	66	STATE LEASE	STATE LEASE COB 1289, ENTRY #04-12822 (IBERIA) CENTURY EXPLORATION NEW ORLEANS, INC. 3838 NORTH CAUSEWAY BLVD. SUITE 2800 METAIRIE, LA 70002

## View Tract Bids

Adv Tract Num	Lease Num	Bid Num	Bidder Name	Bid Acreage	Bonus	Royalty	Sale Date	Review	Awarded	Illegal	Insuffnt	Voided
36619	18258	1	CENTURY EXPLORATION NEW ORLEANS, INC.	53	17331	.25	08-SEP-04		YES			

BECAME STATE LEASE 18258