

LLOG EXPLORATION COMPANY, L.L.C.  
433 Metairie Road, Suite 600  
Metairie, Louisiana 70005  
June 3, 2005

State of Louisiana  
Department of Natural Resources  
Office of Mineral Resources  
State Mineral Board  
Post Office Box 2827  
Baton Rouge, Louisiana 70821-2827

Attention: Mr. Anthony Fontenot

RE: State Lease Sale Dated July 13, 2005  
Two (2) Tracts  
White Lake Area  
Vermillion Parish, Louisiana

Ladies and Gentlemen:

In accordance with the provisions of Act No. 92 of the Regular Session of the Louisiana Legislature of 1942, the State Mineral Board will advertise and receive bids on, July 13, 2005, for an oil and gas lease or leases by the State of Louisiana on White Lake acreage.

The provisions of said Act No. 92 require that, within sixty (60) days after the granting by the State Mineral Board of a State Lease, said Lessee from the State shall obtain a lease on the White Lake acreage from the Acadia Vermilion Rice Irrigation Company, Inc.

This is to advise that, within sixty (60) days after the granting of a lease by the State Mineral Board of such acreage, or any part or parts thereof, LLOG Exploration Company, L.L.C. (successor in title from Energy Development Corporation) and AVRICO, Inc., together successors in ownership to Acadia Vermilion Rice Irrigation Company, Inc., will grant to the State's Lessee an oil, gas and mineral lease or leases for a consideration equal to the following:

1. fifty percent (50%) of the amount to be paid to the State in cash payment money for lease bonus and rentals; and,
2. fifty percent (50%) of the royalty payable to the State but, in no event, to be less than a total aggregate royalty of 25% to the State and the required private lease or leases, resulting, therefore, in a minimum royalty of 8.333% of 8/8ths, net, to LLOG Exploration Company, L.L.C. and AVRICO, Inc.

The form of lease which will be executed by the undersigned will follow closely the form executed by the State Mineral Board on behalf of the State, inclusive of a paragraph providing that, at the end of the primary term of the lease, Lessee shall release in favor of Lessors (LLOG Exploration Company, L.L.C. and AVRICO, Inc.) all of Lessee's right, title and interest in such lease or leases as to all depths 100 feet below the deepest formation producing, or deepest formation, behind pipe, capable of producing, at the expiration of the primary term.

It will be required that the lessee shall be a person, company or corporation having sufficient financial strength, technical organization and the necessary experience to properly develop the property.

Please call if you require further documentation of our respective occurrences.

Very truly yours,

LLOG EXPLORATION COMPANY, L.L.C.  
s/Michael C. McKeogh

**TRACT 37622 - Vermilion Parish, Louisiana**

A portion of the entirety of the beds and bottoms embraced within the meander of the shoreline as same existed in 1942, located in any parts of Township 14 South, Ranges 1, 2 and 3 West and 1 East, and Township 15 South, Ranges 1, 2 and 3 West and 1 East, the entirety of said described area being deemed to comprise 50,000 acres, whether actually more or less, not presently under mineral lease from the State on July 13, 2005, and not formerly adjudicated in fee ownership to any party other than the State of Louisiana; which property is subject to the provisions of Special Act No. 92 of the 1942 Regular Session of the Louisiana Legislature requiring the successful bidder, within sixty (60) days of obtaining a mineral lease from the State of Louisiana, to obtain additional leases on the same property from LLOG Exploration Company, L.L.C. (successor in title to Energy Development Corp.) and Avrigo, Inc. [both successors in title to Acadian Vermilion Rice Irrigation Company, Inc.] containing terms not substantially different from and further containing a bonus and royalty not less than one-half (1/2) of those contained in the lease taken from the State of Louisiana, being more specifically described as follows: Beginning at the Southwest corner of State Lease No. 18088 having Coordinates of X = 1,649,463.60 and Y = 400,924.30; thence East 9,918.97 feet along the South line of said State Lease No. 18088 to its Southeast corner located on the Exxon/State Ownership Line having Coordinates of X = 1,659,382.57 and Y = 400,924.30; thence along said line South 04 degrees 08 minutes 46 seconds West 7,319.15 feet to a point having Coordinates of X = 1,658,853.40 and Y = 393,624.30; thence West 9,389.80 feet to a point having Coordinates of X = 1,649,463.60 and Y = 393,624.30; thence North 7,300.00 feet to the point of beginning, containing approximately **1,617.93 acres**, all as more particularly outlined on a plat on file in the Office of Mineral Resources, Department of Natural Resources. All bearings, distances and coordinates are based on Louisiana Coordinate System of 1927, (South Zone).

NOTE: The maximum primary term for any lease of this tract is three (3) years and further, the aggregate total royalty in leases from the State of Louisiana, LLOG Exploration Company, L.L.C. and Avrigo, Inc. on this tract shall not equal less than twenty-five percent (25%). All leases, including the State lease shall contain a paragraph providing that, at the end of the primary term of the lease, Lessee shall release in favor of Lessor all of Lessee's right, title and interest in such lease as to all depths one hundred feet (100') below the deepest formation producing, or deepest formation, behind pipe, capable of producing, at that time.

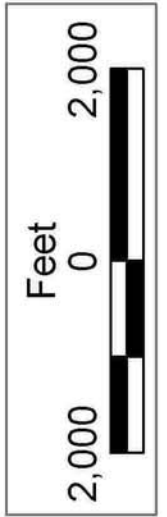
NOTE: The above description of the Tract nominated for lease has been provided and corrected, where required, exclusively by the nomination party. Any mineral lease selected from this Tract and awarded by the Louisiana State Mineral Board shall be without warranty of any kind, either express, implied, or statutory, including, but not limited to, the implied warranties of merchantability and fitness for a particular purpose. Should the mineral lease awarded by the Louisiana State Mineral

Board be subsequently modified, cancelled or abrogated due to the existence of conflicting leases, operating agreements, private claims or other future obligations or conditions which may affect all or any portion of the leased Tract, it shall not relieve the Lessee of the obligation to pay any bonus due thereon to the Louisiana State Mineral Board, nor shall the Louisiana State Mineral Board be obligated to refund any consideration paid by the Lessor prior to such modification, cancellation, or abrogation, including, but not limited to, bonuses, rentals and royalties.

NOTE: The State of Louisiana does hereby reserve, and this lease shall be subject to, the imprescriptible right of surface use in the nature of a servitude in favor of the Department of Natural Resources, including its Offices and Commissions, for the sole purpose of implementing, constructing, servicing and maintaining approved coastal zone management and/or restoration projects. Utilization of any and all rights derived under this lease by the mineral lessee, its agents, successors or assigns, shall not interfere with nor hinder the reasonable surface use by the Department of Natural Resources, its Offices or Commissions, as herein above reserved.

Applicant: CYPRESS ENERGY CORPORATION

Bidder	Cash Payment	Price/ Acre	Rental	Oil	Gas	Other



VERMILION PARISH

SL 18088

WHITE LAKE

SL 18089

P.O.B.  
X=1,649,463.60  
Y=400,924.30

**TRACT 37623 - Vermilion Parish, Louisiana**

A portion of the entirety of the beds and bottoms embraced within the meander of the shoreline as same existed in 1942, located in any parts of Township 14 South, Ranges 1, 2 and 3 West and 1 East, and Township 15 South, Ranges 1, 2 and 3 West and 1 East, the entirety of said described area being deemed to comprise 50,000 acres, whether actually more or less, not presently under mineral lease from the State on July 13, 2005, and not formerly adjudicated in fee ownership to any party other than the State of Louisiana; which property is subject to the provisions of Special Act No. 92 of the 1942 Regular Session of the Louisiana Legislature requiring the successful bidder, within sixty (60) days of obtaining a mineral lease from the State of Louisiana, to obtain additional leases on the same property from LLOG Exploration Company, L.L.C. (successor in title to Energy Development Corp.) and Avrigo, Inc. [both successors in title to Acadian Vermilion Rice Irrigation Company, Inc.] containing terms not substantially different from and further containing a bonus and royalty not less than one-half (1/2) of those contained in the lease taken from the State of Louisiana, being more specifically described as follows: Beginning at a point having Coordinates of X = 1,637,700.00 and Y = 393,624.30; thence North 1,120.70 feet to a point having Coordinates of X = 1,637,700.00 and Y = 394,745.00; thence West 2,537.60 feet to a point having Coordinates of X = 1,635,162.40 and Y = 394,745.00, being the Southeast corner of State Lease No. 16854; thence North 500.00 feet along the East Line of said State Lease No. 16854 to the Southwest corner of State Lease No. 16855 having Coordinates of X = 1,635,162.40 and Y = 395,245.00; thence along the boundary of said State Lease No. 16855 the following: East 330.00 feet, North 330.00 feet, East 330.00 feet, North 990.00 feet, West 330.00 feet, North 660.00 feet and West 330.00 feet to its Northwest corner and a point on the East Line of said State Lease No. 16854 having Coordinates of X = 1,635,162.40 and Y = 397,225.00; thence North approximately 2,318.00 feet along the East Line of said State Lease No. 16854 to its Northeast corner and to the 1942 Shoreline of White Lake; thence Northeasterly along said shoreline to the Southwest corner of State Lease No. 18089 having a Coordinate of Y = 400,924.30; thence East approximately 11,8600 feet along the South line of State Lease No. 18089 to its Southeast corner having Coordinates of X = 1,649,463.60 and Y = 400,924.30; thence South 7,300.00 feet to a point having Coordinates of X = 1,649,463.60 and Y = 393,624.30; thence West 11,763.60 feet to the Point of Beginning, containing approximately **2,272 acres**, all as more particularly outlined on a plat on file in the Office of Mineral Resources, Department of Natural Resources. All bearings, distances and coordinates are based on Louisiana Coordinate System of 1927, (South Zone).

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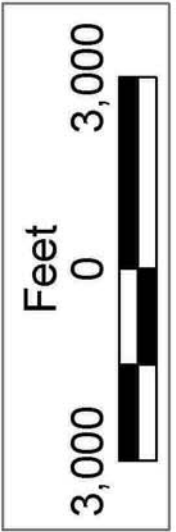
the primary term of the lease, Lessee shall release in favor of Lessor all of Lessee's right, title and interest in such lease as to all depths one hundred feet (100') below the deepest formation producing, or deepest formation, behind pipe, capable of producing, at that time.

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NOTE: The State of Louisiana does hereby reserve, and this lease shall be subject to, the imprescriptible right of surface use in the nature of a servitude in favor of the Department of Natural Resources, including its Offices and Commissions, for the sole purpose of implementing, constructing, servicing and maintaining approved coastal zone management and/or restoration projects. Utilization of any and all rights derived under this lease by the mineral lessee, its agents, successors or assigns, shall not interfere with nor hinder the reasonable surface use by the Department of Natural Resources, its Offices or Commissions, as herein above reserved.

Applicant: CYPRESS ENERGY CORPORATION

Bidder	Cash Payment	Price/ Acre	Rental	Oil	Gas	Other



VERMILION PARISH

T15S - R1W

SL 18089

SL 18088

WHITE LAKE

SL 18090

SL 16854

SL 16855

P.O.B.  
X=1,637,700.00  
Y=393,624.30