

HELIS OIL & GAS COMPANY, L.L.C.

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NEW ORLEANS, LA 70130
Telephone: (985) 269-0530

May 30, 2014

Councilman Jacob B. Groby III
Councilman, District 7
St. Tammany Parish Council
29354 Lyon Lane
Lacombe, LA 70445

Dear Councilman Groby:

I wanted to take this opportunity to provide you with a detailed overview of our proposed marine shale project, to be located off Highway 1088 northeast of Mandeville, and to provide you with relevant facts regarding this initiative, as well as our company. Clearly, there has been a great deal of discussion regarding this project. While some of that discussion has been fact-based, other aspects of this project have been misunderstood or misrepresented by those who oppose any new energy projects, and I am happy to present our project to you in detail in order to help set the record straight.

First and foremost, I want you to know that we understand that when this project goes forward, we will be guests in your community, and that as guests, we have a special obligation to conduct our operations in a manner that is respectful and disciplined. That is our commitment to you.

Second, I think it is important for you to know who we are as a company and what we do to support the communities we operate in. Helis Oil & Gas, a privately owned New Orleans-based energy company with a number of employees who reside in St. Tammany Parish, has been operating in sensitive environments for over 80 years. Our founder was a Greek immigrant who came to southeast Louisiana in 1934. With current operations in Wyoming, Louisiana and offshore, we are one of the nation's most successful and widely recognized independent oil and gas companies, with an outstanding reputation for safe and environmentally friendly operating standards. Our company has safely drilled and operated wells throughout the United States (onshore, inland waters and federal offshore), including hundreds right here in Louisiana. Helis has successfully drilled and hydraulically fractured approximately 60 horizontal wells at depth equivalents similar to this proposed project. This kind of operation is not experimental or new

to our company. We have executed these kinds of projects safely and efficiently each and every time. All of our operations have fulltime safety inspectors on-site and every employee is authorized to stop work on any operation if he or she deems it unsafe.

Helis has been nominated by federal regulators for the national "SAFE" Award because of our safety and environmental performance, in addition to winning numerous annual safety awards from the Louisiana Workers' Compensation Corporation.

"Giving back" is central to who we are and how we operate. The Helis Foundation is a major philanthropic benefactor in southeast Louisiana, supporting a broad range of charitable and civic organizations including United Way, hospitals, housing initiatives, homeless shelters, art and historical museums, schools, arts and cultural programs, children's programs, criminal justice initiatives and more.

In Buras (Plaquemines Parish), where we operate, we funded the building of a fitness center to replace the facility destroyed during Hurricane Katrina, and in Montana and North Dakota, where we also operate, we have contributed to the purchase of a new fire truck and fire fighting equipment, in addition to making sizeable grants to a local hospital. The Helis medical research foundations conduct groundbreaking research in the fields of cancer and Parkinson's Disease. We are no strangers to the communities we work in or to supporting programs of interest and value to them.

Well in advance of federal agency mandates in the federal offshore waters, our company voluntarily implemented the now mandatory Safety and Environmental Management System (SEMS). We even adapted that same program to our inland operations even though doing so was not required.

In fact, contrary to what many people believe, at least 50 oil and gas exploratory wells have already been drilled through this aquifer in St. Tammany, without any adverse impact on the aquifer. There are also approximately 15 wells that have been drilled in the general vicinity of our project. These are indisputable facts which opponents of this project cannot deny. The Helis project will be no different. That commitment is made manifest by the compromises we have already offered to the parish, as you will see later in this letter. Perhaps the most significant compromise we have made is to essentially delay the full extent of our potential fracturing operation for several months while the parish studies this issue and explores ways it believes necessary to safeguard local interests. We have agreed to proceed only with drilling a

vertical well in the near term. If data gathered does not indicate the commercial viability of the project, we will plug the well with cement plugs and expect to abandon the project completely, without any fracking. If we are encouraged enough by the results to proceed, we have committed to deferring operations for 3-4 months to allow time for resolution of the remaining issues of concern. This phased approach costs our company more money and more time but we are willing to do so to accommodate the parish.

As detailed in our filing with the Commissioner of Conservation for the State of Louisiana, we are seeking formation of a Tuscaloosa Marine Shale Unit in an extremely rural part of the parish along privately owned Log Cabin Road. All surface operations will be on a 10 acre site which will be enclosed in a 2 ½ foot berm. The campus of Lakeshore High School is 1.23 miles from our proposed well site. There are no residences, neighborhoods or commercial enterprises within about 1.5 miles of the proposed well site, and we believe we will have no disruption on the quality of life of residents or the commercial viability of businesses. If you are not familiar with this site, I would invite you to see the approximate location for yourself (the well site sits more than a mile from Highway 1088 in a heavily wooded area so it cannot be seen by anyone offsite.

While the proposed unit comprises 960 acres, our well pad will only occupy 10 acres and there will be no wells drilled or surface equipment installed within the unit, except on the surface use pad itself. Because the well site is so remote, and owing to the heavy forestation between the well and the school, we believe that there will be no disruptive noise or health and safety impact on the students and faculty of the school. However, at the request of the Parish School Board, we are assembling data on decibel levels at a typical well site and will be providing it to them for their review and consideration. We will establish current ambient noise levels in the vicinity of our project and continue to monitor those levels. Additionally, the drilling rig and other equipment will be enclosed in a sound barrier to further baffle noise.

Air emissions resulting from equipment usage are strictly regulated by the Louisiana Department of Environmental Quality and the US Environmental Protection Agency. While we do not anticipate any natural gas production from this well, the small volumes of gas that may be present will be flared for a short period of time during production testing and immediately thereafter. Any other gas that may be present will be used on premises or sold into a nearby pipeline as is routinely the case in these projects. Although not required, we will also be monitoring air quality.

Truck traffic will utilize Highway 1088, turning on to privately owned Log Cabin Road to access the well site. Log Cabin Road will be secured with private security 24-hours a day to during operations. We are highly sensitive to any and all concerns regarding the safety and convenience of students, parents and faculty accessing the high school and have pledged to work with the Parish School Board, Lakeshore High School administration and Parish government to create and enforce a traffic control plan to keep the highway safe and minimize any disruption. We have even offered to hire Parish Sheriff's deputies or other law enforcement personnel to implement the plan to the satisfaction of local residents.

It is our intention to try to limit the heaviest traffic to and from our site to times before and after school commuting takes place. Under any circumstances, based on our extensive experience in other projects, we would anticipate that at most, traffic will resemble light highway construction. We are presently negotiating a truck staging area near to the I-12 interchange with highway 1088 in order to assist in regulating traffic, although this is not a decision we alone are empowered to make.

There has been some concern voiced about potential damage to parish owned roads and bridges from traffic associated with our project. Some persons have even referred to potential traffic as a "military style convoy." These allusions are unfounded. There are thousands of well projects all over Louisiana and I'm sure you will agree that you have never seen such a "convoy" servicing an exploratory well. Furthermore, it is important to know that our plan calls for access to our well site only on state or federal highways and privately owned roads. Presently, we have no plans to access parish roads with large vehicles, thus mitigating any concerns about damage to parish roads. And, as mentioned above, it is not clear at this point whether the test well will be hydraulically fractured at all. In the absence of drilling the well horizontally and fracture stimulating it, road use by Helis would not be significant.

Some persons not fully understanding our project, or wishing to misrepresent it to the public, have also suggested that we will be using local water from the aquifer for the purposes of hydraulic fracturing. Let me assure you that that is not the case. All water for the project will be obtained off premises from surface ponds (not streams) or from outside commercial sources. We understand fully the important economic and quality of life value this aquifer has for the people of St. Tammany and we are extremely respectful of those facts. The reality is that there have been thousands of wells safely drilled through shallow aquifers in Louisiana. Contrary to what has been asserted by others, this is a routine drilling operation which will be conducted with the utmost concern for protection of the aquifer.

While it is not a requirement of our permit, we will be testing water quality with an independent certified laboratory before our project begins, and throughout the process, and have invited the parish and school board to participate in that testing and to publicize the results as they see fit.

When drilling through the aquifer, only water-based drilling fluids will be used until the aquifer is secured behind two strings of protective casing. Moreover, our hydraulic fracturing operations, if conducted at all, will take place at 12,000 feet, over 9000 feet (1.7 miles) below the aquifer, and will not have any anticipated effect on the aquifer.

Whether or not required, Helis has a policy to always add an additional string of casing during fracturing of our wells so that the aquifer would be protected by three strings of casing. The frack fluids used for fracturing will be 99% fresh water and inert natural or ceramic proppants. All chemicals will be properly disclosed and notification will be made to the state and local regulatory and response authorities in advance of operations.

The actual fracturing typically only takes place once at the conclusion of completion operations and is about a two-week process.

Waste water and other materials used in our operations will not be stored on-site but will be transported off-site to a state certified disposal facility outside the parish. Contrary to some assertions, there will be no waste water or mud storage pit on our well site. There will only be a lined, fresh water pond which will be fully enclosed within a two and a half foot berm. The well will be drilled with a loop system so that all drilling fluids will always be contained in tanks.

Should the project prove commercially viable, oil would initially be transported off-site by truck via state and federal highways only. Should the project warrant beyond that, a below ground pipeline system may be constructed for transportation and sale of the oil.

Helis is fully committed to the protection of health, safety and the environment. We understand that our performance is our license to operate and we are committed to the highest standards of performance and safe operations. A site specific safety and emergency response plan will be prepared and we are more than happy to consult with appropriate Parish representatives in the development of that plan. Two safety inspectors will be on site all day every day during operations. As is our practice everywhere we operate, we would intend to utilize and employ local contractors if at all possible.

Page 6

The economic benefits to the parish have not yet been determined, in part, because it is premature to speculate regarding how much oil might ultimately be found. Over and above a small number of project-specific jobs, however, the parish would accrue local sales taxes, severance taxes and ad valorem taxes from the project, if commercially viable reserves of oil are found. A more detailed analysis of the kind of economic benefits these kinds of projects frequently have in Louisiana communities may be accessed at <http://loga.la/louisiana-shale-plays/>

As I conclude, let me thank you for reading this very long letter. The subject is obviously an important one, and I have endeavored to address every concern and question that has been raised through our individual and small group meetings in an honest and transparent manner.

We will be launching a project website in the next two weeks and will update that site frequently as this project moves forward. In the meantime, should you have questions, I would welcome an opportunity to help provide answers at 985/269-0530.

Sincerely,

A handwritten signature in black ink, appearing to read 'DA Kerstein', with a long horizontal flourish extending to the right.

David A. Kerstein
President
Helis Oil & Gas