

Biloxi Marsh Lands Corporation

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To: The Shareholders of Biloxi Marsh Lands Corporation

From: William B. Rudolf – President and Chief Executive Officer

RE: BLMC Well #3.

In an attempt to accelerate the production of natural gas from the reservoir discovered by the completion of BLMC Well, #1, which was completed in June of 2001 and is currently producing natural gas at a average daily rate of approximately 18 MCFD, Manti Operating Company (Manti) spudded alternate unit BLMC Well #3 on March 22, 2001. On April 4, 2002 Manti successfully logged in the BLMC Well #3 approximately the equivalent amount of natural gas sands within the Cris-I zone that was discovered in the BLMC Well #1. While the current expectation is that the BLMC Well #3 will test and ultimately produce successfully, as of this time BLMC Well #3 has not been tested and there is no guarantee that the test will be successful and that the well will produce natural gas.

As stated, the BLMC Well #3 is an alternate unit well to the BLMC Well #1, and if successfully brought on line, will produce natural gas within the unit already established by the Department of Natural Resources of the State of Louisiana. This means that the same percentage (approx. 57%) of the proceeds from the production of the BLMC Well #3 will be subject the same adverse title claims and resulting litigation as are the proceeds from the production of the BLMC Well #1. We have previously disclosed the details of the adverse title claim and resulting litigation, please refer to my end of year 2001 President's letter.