



Deloitte & Touche LLP
361 South Marine Corps Drive
Tamuning, GU 96913-3911
USA

Tel: (671)646-3884
Fax: (671)649-4932
www.deloitte.com

June 22, 2015

The Board of Directors
Vital Energy, Inc.

Dear Members of the Board of Directors:

We have performed an audit of the financial statements of the Vital Energy, Inc. (the Company), a wholly-owned subsidiary of FSM Petroleum Corporation, as of December 31, 2014, in accordance with auditing standards generally accepted in the United States of America ("generally accepted auditing standards") and have issued our report thereon dated and have issued our report thereon dated June 22, 2015.

We have prepared the following comments to assist you in fulfilling your obligation to oversee the financial reporting and disclosure process for which management of the Company is responsible.

OUR RESPONSIBILITY UNDER GENERALLY ACCEPTED AUDITING STANDARDS

Our responsibility under generally accepted auditing standards has been described in our engagement letter dated December 12, 2014. As described in that letter, the objective of a financial statement audit conducted in accordance with generally accepted auditing standards is to express an opinion on the fairness of the presentation of the Company's financial statements as of December 31, 2014 in conformity with accounting principles generally accepted in the United States of America ("generally accepted accounting principles"), in all material respects. Our responsibilities under generally accepted auditing standards include forming and expressing an opinion about whether the financial statements that have been prepared with the oversight of management and the Board of Directors are presented fairly, in all material respects, in conformity with generally accepted accounting principles. The audit of the financial statements does not relieve management or the Board of Directors of their responsibilities.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether caused by fraud or error. In making those risk assessments, we considered internal control over financial reporting relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that were appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control over financial reporting. Our consideration of internal control over financial reporting was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

MANAGEMENT JUDGMENTS AND ACCOUNTING ESTIMATES

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are ordinarily based on knowledge and experience about past and current events and on assumptions about future events. Significant accounting estimates reflected in the Company's 2014 financial statements include management's estimate of the allowance for doubtful accounts, which is determined based upon past collection experience and aging of the accounts and management's estimate of depreciation expense, which is based on estimated useful lives of the respective property and equipment. During the year ended December 31, 2014, we are not aware of any significant changes in accounting estimates or in management's judgments relating to such estimates.

CORRECTED AND UNCORRECTED MISSTATEMENTS

Our audit of the financial statements was designed to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. We have attached to this letter, as Appendix A to Attachment II, the uncorrected misstatement aggregated by us during the current engagement and pertaining to the latest period presented that was determined by management to be immaterial to the financial statements taken as a whole.

SIGNIFICANT ACCOUNTING POLICIES

The Company's significant accounting policies are set forth in Note 2 to the Company's 2014 financial statements. During the year ended December 31, 2014, there were no significant changes in previously adopted accounting policies or their application.

OTHER INFORMATION IN THE ANNUAL REPORTS TO SHAREHOLDERS

The audited financial statements for the year ended December 31, 2014 were not included in documents containing other information such as the Annual Report to Shareholders as of the date of this letter.

DISAGREEMENTS WITH MANAGEMENT

We have not had any disagreements with management related to matters that are material to the Company's 2014 financial statements.

OUR VIEWS ABOUT SIGNIFICANT MATTERS THAT WERE THE SUBJECT OF CONSULTATION WITH OTHER ACCOUNTANTS

We are not aware of any consultations that management may have had with other accountants about auditing and accounting matters during 2014.

SIGNIFICANT ISSUES DISCUSSED, OR SUBJECT OF CORRESPONDENCE, WITH MANAGEMENT PRIOR TO OUR RETENTION

Throughout the year, routine discussions were held, or were the subject of correspondence, with management regarding the application of accounting principles or auditing standards in connection with transactions that have occurred, transactions that are contemplated, or reassessment of current circumstances. In our judgment, such discussions or correspondence were not held in connection with our retention as auditors.

OTHER SIGNIFICANT FINDINGS OR ISSUES ARISING FROM THE AUDIT DISCUSSED, OR SUBJECT OF CORRESPONDENCE, WITH MANAGEMENT

Throughout the year, routine discussions were held, or were the subject of correspondence, with management. In our judgment, such discussions or correspondence did not involve significant issues requiring communication to the Board of Directors.

SIGNIFICANT DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

In our judgment, we received the full cooperation of the Company's management and staff and had unrestricted access to the Company's senior management in the performance of our audit.

MANAGEMENT'S REPRESENTATIONS

We have made specific inquiries of the Company's management about the representations embodied in the financial statements. Additionally, we have requested that management provide to us the written representations the Company is required to provide to its independent auditors under generally accepted auditing standards. We have attached to this letter, as Attachment II, a copy of the representation letter we obtained from management.

CONTROL-RELATED MATTERS

We identified, and have included in Attachment I to this letter, a deficiency involving the Company's internal control over financial reporting as of December 31, 2014 that we wish to bring to your attention.

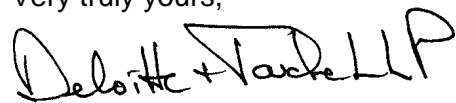
The definition of a deficiency is also set forth in the attached Attachment I.

* * * * *

This report is intended solely for the information and use of management, the Board of Directors, others within the Company and is not intended to be and should not be used by anyone other than these specified parties.

We wish to thank the staff and management of the Company for their cooperation and assistance during the course of this engagement.

Very truly yours,

A handwritten signature in black ink that reads "Deloitte + Touche LLP". The signature is written in a cursive, stylized font.

SECTION I –DEFICIENCY

We identified the following deficiency involving the Company's internal control over financial reporting as of December 31, 2014 that we wish to bring to your attention.

(1) Independent Contract Services

Comment: Tax Form 1099 was not issued for applicable payments. Form 1099-MISC is most commonly used by payers to report payments made in the course of a trade or business to others for services received from an unincorporated business. When the Company pays someone who is not an employee, such as a contractor or consultant, for services provided during the year, a Form 1099-MISC may need to be completed, and a copy of 1099-MISC must be provided to the independent contractor.

Recommendation: We recommend that required tax forms be prepared and issued to avoid future exposure to penalties and related charges.

SECTION II – DEFINITION

The definition of a deficiency is as follows:

A *deficiency* in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when (a) a properly designed control does not operate as designed, or (b) the person performing the control does not possess the necessary authority or competence to perform the control effectively.



Head Office • Amcres Building • Yakipa & Kaselehlle St. • P.O. Box 1762 • Kolonia, Pohnpei FM 96941
 Tel: +691-320-6364 • Fax: +691-320-7456 •
 Email: petrocorp@fsmcpc.com

vitalenergy.fm

William Hawley
Chairman
 National Government Representative

Faustino Yangmog
Vice Chairman
 Yap State Representative

Resty Shotaro
Secretary
 Chuuk State Representative

Redley Killion
Member
 Private Sector Representative

Pius B. Roby
Member
 Pohnpei State Representative

Peter Garamfel
Member
 Private Sector Representative

Witson Phillip
Member
 Kosrae State Representative

Guam Office
 Suite 212 ITC Bldg
 590 S Marine Corp Drive
 Tamuning Guam 96932
 T: (671) 649-3366
 F: (671) 649-3367

Guam Terminal
 GPA Bulk Storage Facility
 South Piti Channel
 Piti, Guam 96932
 T: (671) 477-6333
 F: (671) 649-3367

Pohnpei Terminal
 P.O. Box 116
 Kolonia, Pohnpei
 FM 96941
 Tel: +691-320-2500
 Fax: +691-320-4086

Chuuk Terminal
 P.O. Box 130,
 Weno, Chuuk,
 FM 96942
 Tel: +691-330-2540
 Fax: +691-330-2688

Yap Terminal
 P.O. Box 69
 Worwoo, Rull, Yap
 FM 96943
 Tel: +691-350-2276
 Fax: +691-350-4110

Kosrae Terminal
 P.O. Box 400
 Okat, Kosrae
 FM 96944
 Tel: +691-370-2386
 Fax: +691-370-2388

Coconut Development Unit
 P.O. Box 297
 Kolonia, Pohnpei
 FM 96941
 Tel: +691-320-2892
 Fax: +691-320-5383

File Ref. PC/F/11

June 22, 2015

Deloitte & Touche
P.O. Box 753
Kolonia, Pohnpei 96941

Dear Sir/Madam:

We are providing this letter in connection with your audits of the balance sheets of Vital Energy Inc., a wholly-owned subsidiary of the Federated States of Micronesia (FSM) Petroleum Corporation, (the Company), as of December 31, 2014 and 2013, and the related statements of loss and changes in deficit and of cash flows for the years then ended for the purpose of expressing an opinion as to whether the basic financial statements present fairly, in all material respects, the financial position and results of operations of the Company in conformity with accounting principles generally accepted in the United States of America (GAAP).

We confirm that we are responsible for the following:

- a. The fair presentation in the basic financial statements of the financial position of the Company in conformity with GAAP.
- b. The design, implementation, and maintenance of programs and controls to prevent and detect fraud.
- c. Establishing and maintaining effective internal control over financial reporting. The review and approval of the financial statements and related notes and acknowledge your role in the preparation of this information. Specifically, we acknowledge that your role in the preparation of the financial statements was a matter of convenience rather than one of necessity. We have reviewed the financial statement preparation assistance provided by you and acknowledge that the financial statements are prepared in accordance with GAAP. Our review was based on the use of the financial statement disclosure checklist obtained from the American Institute of Certified Public Accountants.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audits.

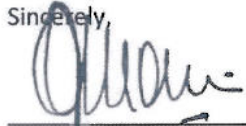
1. The basic financial statements referred to above are fairly presented in conformity with GAAP.
2. The Company has provided to you all relevant information and access as agreed in the terms of the audit engagement letter.
3. The Company has made available to you all:
 - a. Minutes of the meetings of the Board of Directors or summaries of actions of recent meetings for which minutes have not yet been prepared.
 - b. Financial records and related data for all financial transactions of the Company and for all funds administered by the Company. The records, books, and accounts, as provided to you, record the financial and fiscal operations of all funds administered by the Company and provide the audit trail to be used in a review of accountability. Information presented in financial reports is supported by the books and records from which the financial statements have been prepared.
 - c. Contracts and grant agreements (including amendments, if any).
4. There has been no:
 - a. Action taken by the Company management that contravenes the provisions of laws and regulations.
 - b. Communication from regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices or other matters that could have a material effect on the financial statements.
5. We believe the effects of any uncorrected financial statement misstatements aggregated by you during the current audit engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. A summary of such uncorrected misstatements has been attached as Appendix A.
6. The Company has not performed a formal risk assessment, including the assessment of the risk that the financial statements may be materially misstated as a result of fraud. However, management has made available to you their understanding about the risks of fraud in the Company and do not believe that the financial statements are materially misstated as a result of fraud.
7. We have no knowledge of any fraud or suspected fraud affecting the Company involving:
 - a. Management.
 - b. Employees who have significant roles in internal control over financial reporting.
 - c. Others, if the fraud could have a material effect on the financial statements.
8. We have no knowledge of any allegations of fraud or suspected fraud affecting the Company received in communications from employees, former employees, or others.
9. Significant assumptions used by us in making accounting estimates are reasonable.

Except where otherwise stated below, matters less than \$5,400, collectively, are not considered to be exceptions that require disclosure for the purpose of the following representations. This amount is not necessarily indicative of amounts that would require adjustment to or disclosure in the financial statements.

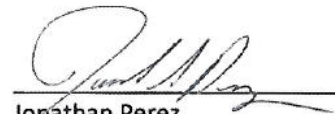
10. Except as listed in Appendix A, there are no transactions that have not been properly recorded in the accounting records underlying the financial statements.
11. The Company has no plans or intentions that may affect the carrying value or classification of assets and liabilities.
12. The following, to the extent applicable, have been appropriately identified, properly recorded, and disclosed in the financial statements:
 - a. Related-party transactions and associated amounts receivable or payable, including sales, purchases, loans, transfers, leasing arrangements, and guarantees (written or oral).
 - b. Guarantees, whether written or oral, under which the Company is contingently liable.
13. In preparing the financial statements in conformity with GAAP, management uses estimates. All estimates have been disclosed in the financial statements for which known information available prior to the issuance of the financial statements indicates that both of the following criteria are met:
 - a. It is at least reasonably possible that the estimate of the effect on the financial statements of a condition, situation, or set of circumstances that existed at the date of the financial statements will change in the near term due to one or more future confirming events.
 - b. The effect of the change would be material to the financial statements.
14. Risks associated with concentrations, based on information known to management, that meet all of the following criteria have been disclosed in the financial statements:
 - a. The concentration exists at the date of the financial statements.
 - b. The concentration makes the Company vulnerable to the risk of a near-term severe impact.
 - c. It is at least reasonably possible that the events that could cause the severe impact will occur in the near term.
15. There are no:
 - a. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
 - b. Known actual or possible litigation and claims whose effects should be considered and accounted for and disclosed in the financial statements or as a basis for recording a loss contingency.
16. The Company has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged as collateral.
17. The Company has complied with all aspects of contractual agreements that may have an effect on the financial statements in the event of noncompliance.
18. No events have occurred after December 31, 2014 but before June 22, 2015, the date the financial statements were available to be issued that require consideration as adjustments to or disclosures in the Company's financial statements.

19. Receivables recorded in the financial statements represent valid claims or other charges arising on or before the date of the statements of net assets and have been appropriately reduced to their estimated net realizable value.
20. The Company purchases commercial insurance to cover its potential risks from refueling operations, inventory and facilities. It also maintains workmen's compensation coverage. It is substantially self-insured for all other risks. Management is of the opinion that no material losses have been sustained as a result of this practice.
21. Management has evaluated the available evidence about future taxable income and other possible sources of realization of deferred tax assets. A valuation allowance against deferred tax assets at the balance sheet date is considered necessary because it is more likely than not the deferred tax asset will be not be fully realized.

Sincerely,



Jared C. Morris
Chief Executive Officer


Mathias Lawrence
Chief Financial Officer

Jonathan Perez
Chief Operations Officer

| APPENDIX A SUMMARY OF UNCORRECTED MISSTATEMENTS | | | | | | | |
|---|-----------|-----------|-------------|------|--------|------|--|
| Description of Misstatement | Assets | | Liabilities | | Income | | |
| | Dr. | Cr. | Dr. | Cr. | Dr. | Cr. | |
| PAJE 1: Receivable Cash To adjust cash named under FSMPC. | 45,797 | 45,797 | | | | | |
| | \$ 45,797 | \$ 45,797 | \$ - | \$ - | \$ - | \$ - | |