

STONEBRIDGE ENERGY, LLC
14275 MIDWAY ROAD
SUITE 220
ADDISON, TX 75001
972-687-9060

October 10, 2007

Mr. Randy Patterson, Vice President
Yates Petroleum Corporation
200 West Fourth Street
Artesia, NM 88200

Re: Hueco South Unit
Hidalgo County, NM

Dear Mr. Patterson:

Stonebridge Energy, LLC is working jointly with Dan A. Hughes Company, L.P. ("DAHC") to form the Hueco South Unit in Hidalgo County, NM for the drilling of a test well in December 2007. DAHC currently holds record title to 77,660.24 state and fee acres within the proposed unit boundary and through its predecessor applied with the State Land Office on March 7, 2005 for preliminary approval of the unit, then comprising 64,000.35 acres. Preliminary approval was granted April 5, 2005.

Since gaining approval from the Commissioner, additional acreage has been acquired and a revised application was submitted on October 9, 2007 for expansion of the unit to 82,622.60 acres. In the unit agreement, DAHC is named as operator.

A review of the state records indicates YPC holds title to four state leases within the proposed expanded unit boundary. They are LH-5359, LH-5360, LH-5361, and LH-5364 totaling 2,562.36 net acres. On behalf of DAHC, we invite you to contribute your leases to the proposed unit and participate in the initial unit well. Enclosed for your consideration is SLO State/Fee Exploratory Unit Agreement with Exhibits A, B, and C.

You will note the agreement unitizes all formations and requires the initial test well be drilled to test the Abo formation at a depth not to exceed 4,500 feet. However, the well will be drilled to 6,600 feet to test the Percha Shale at a location in the SW/4 of Section 26, Township-32-South, Range-17-West and will spud as soon as possible after final approval of the unit by OCD and SLO. Enclosed is the AFE for the Dan A. Hughes Company, L.P., Hueco South Unit #26-State#1.

Thank you for considering joining the Hueco South Unit and we look forward to visiting with you to further discuss this proposal.

Regards,



Larry Hunnicutt,
Managing Member

Enclosures:

Cc: Robert Holder, Dan A. Hughes Company, L.P.

STONEBRIDGE ENERGY, LLC
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October 10, 2007

Ms. Melissa Randall
Harvey E. Yates Company
P.O. Box 1933
Roswell, NM 88202

Re: Hueco South Unit
Hidalgo County, NM

Dear Ms Randall:

Stonebridge Energy, LLC is working jointly with Dan A. Hughes Company, L.P. ("DAHC") to form the Hueco South Unit in Hidalgo County, NM for the drilling of a test well in December 2007. DAHC currently holds record title to 77,660.24 state and fee acres within the proposed unit boundary and through its predecessor applied with the State Land Office on March 7, 2005 for preliminary approval of the unit, then comprising 64,000.35 acres. Preliminary approval was granted April 5, 2005.

Since gaining approval from the Commissioner, additional acreage has been acquired and a revised application was submitted on October 9, 2007 for expansion of the unit to 82,622.60 acres. In the unit agreement, DAHC is named as operator.

A review of the state records indicates HEYCO holds title to four state leases within the proposed expanded unit boundary. They are LH-5410, LH-5411, LH-5414, and LH-5416 totaling 2,400.00 net acres. On behalf of DAHC, we invite you to contribute your leases to the proposed unit and participate in the initial unit well. Enclosed for your consideration is SLO State/Fee Exploratory Unit Agreement with Exhibits A, B, and C.

You will note the agreement unitizes all formations and requires the initial test well be drilled to test the Abo formation at a depth not to exceed 4,500 feet. However, the well will be drilled to 6,600 feet to test the Percha Shale at a location in the SW/4 of Section 26, Township-32-South, Range-17-West and will spud as soon as possible after final approval of the unit by OCD and SLO. Enclosed is the AFE for the Dan A. Hughes, L.P., Hueco South Unit #26 -State #1.

Thank you for considering joining the Hueco South Unit and we look forward to visiting with you to further discuss this proposal.

Regards,



Larry Hunnicutt,
Managing Member

Enclosures:

Cc: Robert Holder, Dan A. Hughes Company, L.P.