

Preston Exploration, L.L.C.

April 20, 2004

7003 1680 0006 9703 9843

Mr. Thomas R. Smith  
Saguaro Resources, Inc.  
1409 S. Country Road 1130  
Midland, TX 79706

Re: Roughneck Red "29" Com #1  
N/2 of Section 29, T17S, R26E  
Roughneck Red Prospect  
Eddy County, New Mexico

Dear Mr. Smith:

Pursuant to a phone conversation with Mark Wheeler at Capstone Oil & Gas, I have enclosed for your approval our Joint Operating Agreement for the drilling of the referenced well.

If acceptable, please execute the extra signature page and return same at your earliest convenience. Please note, this form is in place with the owners in the N/2 N/2 of Section 29. Should you have any questions, please call the undersigned.

Yours very truly,



Bo Blue  
New Ventures Land Manager

Enclosure

Preston Exploration, L.L.C.

April 20, 2004

Mr. Richard Coats  
Cactus Energy, Inc.  
400 W. Illinois, Ste. 1620  
Midland, TX 79701

Re: Roughneck Red "29" Com #1  
N/2 of Section 29, T17S, R26E  
Roughneck Red Prospect  
Eddy County, New Mexico

Dear Mr. Coats:

Pursuant to a phone conversation with Mark Wheeler at Capstone Oil & Gas, I have enclosed for your approval our Joint Operating Agreement for the drilling of the referenced well.

If acceptable, please execute the extra signature page and return same at your earliest convenience. Please note, this form is in place with the owners in the N/2 N/2 of Section 29. Should you have any questions, please call the undersigned.

Yours very truly,



Bo Blue  
New Ventures Land Manager

Enclosure

Preston Exploration, L.L.C.

April 20, 2004

Mr. Wendell W. Iverson, Jr.  
E3 Energy, Ltd.  
400 W. Illinois, Ste. 1620  
Midland, TX 79701

Re: Roughneck Red "29" Com #1  
N/2 of Section 29, T17S, R26E  
Roughneck Red Prospect  
Eddy County, New Mexico

Dear Mr. Iverson:

Pursuant to a phone conversation with Mark Wheeler at Capstone Oil & Gas, I have enclosed for your approval our Joint Operating Agreement for the drilling of the referenced well.

If acceptable, please execute the extra signature page and return same at your earliest convenience. Please note, this form is in place with the owners in the N/2 N/2 of Section 29. Should you have any questions, please call the undersigned.

Yours very truly,



Bo Blue  
New Ventures Land Manager

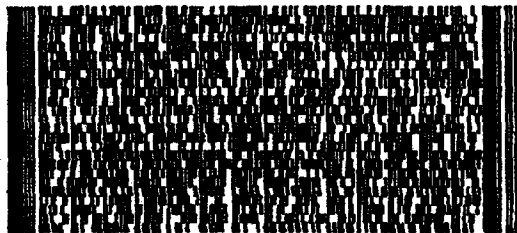
Enclosure

From: Origin ID: (281)387-8897  
 Bo Blue  
 Preston Exploration, L.L.C.  
 1717 Woodstead Court  
 Suite 207  
 The Woodlands, TX 77380



Ship Date: 20APR04  
 Actual Wgt: 2 LB  
 System#: 5508240/NET1800  
 Account#: S \*\*\*\*\*  
 REF: 01

SHIP TO: (432)884-4007 BILL SENDER  
 Mr. Wendell W. Iverson, Jr.  
 E3 Energy, Ltd.  
 400 W. Illinois, Ste. 1620  
 Midland, TX 79701



PRIORITY OVERNIGHT

WED

Deliver By:  
 21APR04

TRK# 7912 1705 1197

FORM  
 0201

LBB A2

79701 -TX-US

AQMAEA

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From: Origin ID: (281)367-8697  
 Bo Blue  
 Preston Exploration, L.L.C.  
 1717 Woodstead Court  
 Suite 207  
 The Woodlands, TX 77380



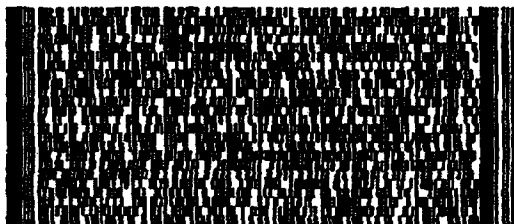
Ship Date: 20APR04  
 Actual Wgt: 2 LB  
 System#: 5508240/NET1800  
 Account#: 8

REF: 00

SHIP TO: (432)684-5824  
 Mr. Richard Coats  
 Cactus Energy, Inc.  
 400 W. Illinois, Ste. 1620

BILL SENDER

Midland, TX 79701



PRIORITY OVERNIGHT

WED

TRK# 7912 1706 1669

FORM  
0201

Deliver By:  
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