

203 West Wall Street
Suite 1201 (Zip 79701)
P.O. Box 10187
Midland, Texas 79702

CAPSTONE OIL & GAS COMPANY, L.P.
Exploration and Development

Area Code: 432
Phone: 682-5565
Fax: 682-4498
E-Mail: mark@capstoneoil.com

SENT CERTIFIED MAIL – RETURN RECEIPT REQUESTED NO. 70050390000299274568

February 7, 2006

Basic Energy 1983 – A General Partnership
5646 Milton Street
Dallas, TX 75206

Re: Correction AFE to drill Orleans "25" #1 well
660' FNL & 1650' FEL of Section 25,
T18S, R26E, NMPM
Orleans Prospect
Eddy County, New Mexico

Gentlemen:

Please find enclosed for your review and execution, two (2) copies of our AFE for the captioned well, which will be drilled as an E/2 proration unit. Our previous letter of 1/24/06 had an incorrect recitation of the section number.

If you are prepared to participate in this well, please execute and forward one (1) of the enclosed AFE to the undersigned at your earliest convenience.

If you do not want to participate in the drilling of this well, Capstone would like to negotiate a farmout or the purchase of a term assignment of your leasehold rights under the SE/4 of said Section 25, as to rights from 3,750' subsurface to 9,800' subsurface.

Should you have any questions, please feel free to contact us.

Sincerely,

Mark Wheeler, CPL
Senior Landman

/cmw: Orleans 25 #1 Correction AFE letter to Basic Energy (1m)
xc: Jim Geitgey / Dale Douglas / Jerry Elger

OIL CONSERVATION DIVISION

CASE NUMBER

EXHIBIT NUMBER 2

203 West Wall Street
Suite 1201 (Zip 79701)
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Exploration and Development

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SENT CERTIFIED MAIL – RETURN RECEIPT REQUESTED NO. 70031680000662866559

February 22, 2005

Basic Energy 1983 – A General Partnership
406 N. Big Spring St.
Midland, Texas 797071

Re: AFE to drill Orleans “25” Fed Com #1 well
660’ FNL & 1650’ FEL of Section 25,
T18S, R26E, NMPM
Orleans Prospect
Eddy County, New Mexico

Gentlemen:

Please find enclosed for your review and execution, two (2) copies of our AFE for the captioned well, which will be drilled as an E/2 proration unit.

If you are prepared to participate in this well, please execute and forward one (1) of the enclosed AFE to the undersigned at your earliest convenience.

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Should you have any questions, please feel free to contact us.

Sincerely,

Mark Wheeler, CPL
Senior Landman

OIL CONSERVATION DIVISION
CASE NUMBER
EXHIBIT NUMBER

/cmw: Orleans 25 #1 Fed Com AFE letter to Basic Energy (1m)
xc: Jim Geitgey / Dale Douglas / Jerry Elger

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SENT CERTIFIED MAIL – RETURN RECEIPT REQUESTED NO. 70050390000299274407

February 6, 2006

Cannon Exploration Co.
3608 SCR 1184
Midland, Texas 79701
Attention: Mr. Todd Wilson

Re: Correction AFE to drill Orleans "25" #1 well
660' FNL & 1650' FEL of Section 25,
T18S, R26E, NMPM
Orleans Prospect
Eddy County, New Mexico

Dear Todd:

Please find enclosed for your review and execution, two (2) copies of our AFE for the captioned well, which will be drilled as an E/2 proration unit. Our previous letter of 1/24/06 had an incorrect recitation of the section number.

If you are prepared to participate in this well, please execute and forward one (1) of the enclosed AFE to the undersigned at your earliest convenience.

If you do not want to participate in the drilling of this well, Capstone would like to negotiate a farmout or the purchase of a term assignment of your leasehold rights under the E/2 of said Section 25, as to depths from 3,750' subsurface down to 9,800' subsurface in the SE/4 and all depths below 3,750' in the NE/4.

Should you have any questions, please feel free to contact us.

Sincerely,

Mark Wheeler, CPL
Senior Landman

/cmw: Orleans 25 #1 correction AFE letter to Cannon Expl. Co. (1m)
xc: Jim Geitgey / Dale Douglas / Jerry Elger

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Suite 1201 (Zip 79701)
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SENT CERTIFIED MAIL – RETURN RECEIPT REQUESTED NO. 70050390000299274414

February 6, 2006

ConocoPhillips Company
P.O. Box 2197
Houston, TX 77252-2197
Attn: Linda Hicks

Re: Correction AFE to drill Orleans "25" #1 well
660' FNL & 1650' FEL of Section 25,
T18S, R26E, NMPM
Orleans Prospect
Eddy County, New Mexico

Dear Linda:

Pursuant to my telephone call to you last spring, please find enclosed for your review and execution, two (2) copies of our AFE for the captioned well, which will be drilled as an E/2 proration unit. Our previous letter of 1/24/06 had an incorrect recitation of the section number.

If you are prepared to participate in this well, please execute and forward one (1) of the enclosed AFE to the undersigned at your earliest convenience.

If you do not want to participate in the drilling of this well, Capstone would like to negotiate a farmout or the purchase of a term assignment of your leasehold rights under the SE/4 of said Section 25, as to rights from 3,750' subsurface to 9,800' subsurface.

Should you have any questions, please feel free to contact us.

Sincerely,

Mark Wheeler, CPL
Senior Landman

/cmw: Orleans 25 #1 Correction AFE letter to ConocoPhillips (1m)
xc: Jim Geitgey / Dale Douglas / Jerry Elger

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Suite 1201 (Zip 79701)
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SENT CERTIFIED MAIL – RETURN RECEIPT REQUESTED NO. 70031680000662866573

February 22, 2005

ConocoPhillips Company
P.O. Box 2197
Houston, TX 77252-2197
Attn: Linda Hicks

Re: AFE to drill Orleans "25" Fed Com #1 well
660' FNL & 1650' FEL of Section 25,
T18S, R26E, NMPM
Orleans Prospect
Eddy County, New Mexico

Dear Linda:

Pursuant to my telephone call to you yesterday, please find enclosed for your review and execution, two (2) copies of our AFE for the captioned well, which will be drilled as an E/2 proration unit.

If you are prepared to participate in this well, please execute and forward one (1) of the enclosed AFE to the undersigned at your earliest convenience.

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Should you have any questions, please feel free to contact us.

Sincerely,

Mark Wheeler, CPL
Senior Landman

/cmw: Orleans 25 #1 Fed Com AFE letter to ConocoPhillips (1m)
xc: Jim Geitgey / Dale Douglas / Jerry Elger

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SENT CERTIFIED MAIL – RETURN RECEIPT REQUESTED NO. 70050390000299274421

February 6, 2006

Devon Energy Production Company, L. P.
20 North Broadway
Oklahoma City, OK 73102-8360
Attn: Meg Muhlinghouse

Re: AFE to drill Orleans "25" #1 well
660' FNL & 1650' FEL of Section 25,
T18S, R26E, NMPM
Orleans Prospect
Eddy County, New Mexico

Dear Meg:

Please find enclosed for your review and execution, two (2) copies of our AFE for the captioned well, which will be drilled as an E/2 proration unit. Our previous letter of 1/24/06 had an incorrect recitation of the section number.

If you are prepared to participate in this well, please execute and forward one (1) of the enclosed AFE to the undersigned at your earliest convenience.

If you do not want to participate in the drilling of this well, Capstone would like to negotiate a farmout or the purchase of a term assignment of your leasehold rights under the NE/4 of said Section 25, as to rights below 3,750' subsurface.

Should you have any questions, please feel free to contact us.

Sincerely,

Mark Wheeler, CPL
Senior Landman

/cmw: Orleans 25 #1 Correction AFE letter to Devon Energy Corp.(1m)
xc: Jim Geitgey / Dale Douglas / Jerry Elger

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SENT CERTIFIED MAIL – RETURN RECEIPT REQUESTED NO. 70022410000013738222

February 22, 2005

Devon Energy Production Company, L. P.
20 North Broadway
Oklahoma City, OK 73102-8360
Attn: Meg Muhlinghause

Re: AFE to drill Orleans "25" Fed Com #1 well
660' FNL & 1650' FEL of Section 25,
T18S, R26E, NMPM
Orleans Prospect
Eddy County, New Mexico

Dear Meg:

Please find enclosed for your review and execution, two (2) copies of our AFE for the captioned well, which will be drilled as an E/2 proration unit.

If you are prepared to participate in this well, please execute and forward one (1) of the enclosed AFE to the undersigned at your earliest convenience.

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Should you have any questions, please feel free to contact us.

Sincerely,

Mark Wheeler, CPL
Senior Landman

/cmw: Orleans 25 #1 Fed Com AFE letter to Devon Energy Corp.(1m)
xc: Jim Geitgey / Dale Douglas / Jerry Elger

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SENT CERTIFIED MAIL – RETURN RECEIPT REQUESTED NO. 70050390000299274438

February 6, 2006

The Roger T. Elliott and Holly L.
Elliott Family Limited Partnership, L.P.
4105 Baybrook Drive
Midland, Texas 79707
Attention: Mr. Roger Elliott

Re: AFE to drill Orleans "25" #1 well
660' FNL & 1650' FEL of Section 25,
T18S, R26E, NMPM
Orleans Prospect
Eddy County, New Mexico

Dear Roger:

Please find enclosed for your review and execution, two (2) copies of our AFE for the captioned well, which will be drilled as an E/2 proration unit. Our previous letter of 1/24/06 had an incorrect recitation of the section number.

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If you do not want to participate in the drilling of this well, Capstone would like to negotiate a farmout or the purchase of a term assignment of your leasehold rights under the E/2 of said Section 25, as to depths from 3,750' subsurface down to 9,800' subsurface in the SE/4 and all depths below 3,750' in the NE/4.

Should you have any questions, please feel free to contact us.

Sincerely,

Mark Wheeler, CPL
Senior Landman

/cmw: Orleans 25 #1 Correction AFE letter to Elliott Fam. Ltd. Ptnshp. (1m)
xc: Jim Geitgey / Dale Douglas / Jerry Elger

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SENT CERTIFIED MAIL – RETURN RECEIPT REQUESTED NO. 70050390000299274551

February 6, 2006

Mr. James D. Brown, Jr.
5646 Milton Street
Dallas, TX 75206

Re: Correction AFE to drill Orleans "25" #1 well
660' FNL & 1650' FEL of Section 25,
T18S, R26E, NMPM
Orleans Prospect
Eddy County, New Mexico

Dear Sir:

Please find enclosed for your review and execution, two (2) copies of our AFE for the captioned well, which will be drilled as an E/2 proration unit. Our previous letter of 1/24/06 had an incorrect recitation of the section number.

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Should you have any questions, please feel free to contact us.

Sincerely,

Mark Wheeler, CPL
Senior Landman

/cmw: Orleans 25 #1 Correction AFE letter to James D. Brown, Jr. (1m)
xc: Jim Geitgey / Dale Douglas / Jerry Elger

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SENT CERTIFIED MAIL – RETURN RECEIPT REQUESTED NO. 70031680000662866580

February 22, 2005

Mr. James D. Brown, Jr.
321 W. Grand Ave.
Artesia, NM 88210

Re: AFE to drill Orleans "25" Fed Com #1 well
660' FNL & 1650' FEL of Section 25,
T18S, R26E, NMPM
Orleans Prospect
Eddy County, New Mexico

Dear Sir:

Please find enclosed for your review and execution, two (2) copies of our AFE for the captioned well, which will be drilled as an E/2 proration unit.

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Should you have any questions, please feel free to contact us.

Sincerely,

Mark Wheeler, CPL
Senior Landman

/cmw: Orleans 25 #1 Fed Com AFE letter to James D. Brown, Jr. (1m)
xc: Jim Geitgey / Dale Douglas / Jerry Elger

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SENT CERTIFIED MAIL – RETURN RECEIPT REQUESTED NO. 70050390000299274452

February 6, 2006

Mr. Mark Wilson
4501 Greentree Blvd.
Midland, Texas 79707

Re: Correction AFE to drill Orleans "25" #1 well
660' FNL & 1650' FEL of Section 25,
T18S, R26E, NMPM
Orleans Prospect
Eddy County, New Mexico

Dear Mr. Wilson:

Please find enclosed for your review and execution, two (2) copies of our AFE for the captioned well, which will be drilled as an E/2 proration unit. Our previous letter of 1/24/06 had an incorrect recitation of the section number.

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Should you have any questions, please feel free to contact us.

Sincerely,

Mark Wheeler, CPL
Senior Landman

/cmw: Orleans 25 #1 Correction AFE letter to Mark Wilson(1m)
xc: Jim Geitgey / Dale Douglas / Jerry Elger

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SENT CERTIFIED MAIL – RETURN RECEIPT REQUESTED NO. 70031680000662865606

February 22, 2005

Mr. Mark Wilson
4501 Greentree Blvd.
Midland, Texas 79707

Re: AFE to drill Orleans "25" Fed Com #1 well
660' FNL & 1650' FEL of Section 25,
T18S, R26E, NMPM
Orleans Prospect
Eddy County, New Mexico

Dear Mr. Wilson:

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Should you have any questions, please feel free to contact us.

Sincerely,

Mark Wheeler, CPL
Senior Landman

/cmw: Orleans 25 #1 Fed Com AFE letter to Mark Wilson(1m)
xc: Jim Geitgey / Dale Douglas / Jerry Elger

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Midland, Texas 79702

CAPSTONE OIL & GAS COMPANY, L.P.

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E-Mail:
mark@capstoneoil.com

SENT CERTIFIED MAIL – RETURN RECEIPT REQUESTED NO. 70050390000299274469

February 6, 2006

Pathfinder Exploration Co.
500 W. Texas, Suite 1220
Midland, Texas 79701
Attention: Mr. Scott Wilson

Re: Correction AFE to drill Orleans "25" #1 well
660' FNL & 1650' FEL of Section 25,
T18S, R26E, NMPM
Orleans Prospect
Eddy County, New Mexico

Dear Scott:

Please find enclosed for your review and execution, two (2) copies of our AFE for the captioned well, which will be drilled as an E/2 proration unit. Our previous letter of 1/24/06 had an incorrect recitation of the section number.

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If you do not want to participate in the drilling of this well, Capstone would like to negotiate a farmout or the purchase of a term assignment of your leasehold rights under the E/2 of said Section 25, as to depths from 3,750' subsurface down to 9,800' subsurface in the SE/4 and all depths below 3,750' in the NE/4.

Should you have any questions, please feel free to contact us.

Sincerely,

Mark Wheeler, CPL
Senior Landman

/cmw: Orleans 25 #1 Correction AFE letter to Pathfinder Expl.(1m)
xc: Jim Geitgey / Dale Douglas / Jerry Elger

203 West Wall Street
Suite 1201 (Zip 79701)
P.O. Box 10187
Midland, Texas 79702

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E-Mail: mark@capstoneoil.com

SENT CERTIFIED MAIL – RETURN RECEIPT REQUESTED NO. 70050390000299274520

February 6, 2006

Pitch Energy Corp.
P. O. Box 227
Artesia, NM 88211
Attention: Mr. Dean Chumbley

Re: Correction AFE to drill Orleans "25" #1 well
660' FNL & 1650' FEL of Section 25,
T18S, R26E, NMPM
Orleans Prospect
Eddy County, New Mexico

Dear Dean:

Please find enclosed for your review and execution, two (2) copies of our AFE for the captioned well, which will be drilled as an E/2 proration unit. Our previous letter of 1/24/06 had an incorrect recitation of the section number.

If you are prepared to participate in this well, please execute and forward one (1) of the enclosed AFE to the undersigned at your earliest convenience.

If you do not want to participate in the drilling of this well, Capstone would like to negotiate a farmout or the purchase of a term assignment of your leasehold rights under the NE/4 of said Section 25, as to depths from 3,750' subsurface down to 9,800' subsurface.

Should you have any questions, please feel free to contact us.

Sincerely,

Mark Wheeler, CPL
Senior Landman

/cmw: Orleans 25 #1 Correction AFE letter to Pitch Energy Corp.(1m)
xc: Jim Geitgey / Dale Douglas / Jerry Elger

203 West Wall Street
Suite 1201 (Zip 79701)
P.O. Box 10187
Midland, Texas 79702

CAPSTONE OIL & GAS COMPANY, L.P.
Exploration and Development

Area Code: 432
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Fax: 682-4498
E-Mail: mark@capstoneoil.com

SENT CERTIFIED MAIL – RETURN RECEIPT REQUESTED NO. 70022410000013738215

February 22, 2005

Pitch Energy Corp.
2208 West Main Street
Artesia, NM 88210
Attention: Mr. Dean Chumbley

Re: AFE to drill Orleans "25" Fed Com #1 well
660' FNL & 1650' FEL of Section 25,
T18S, R26E, NMPM
Orleans Prospect
Eddy County, New Mexico

Gentlemen:

Please find enclosed for your review and execution, two (2) copies of our AFE for the captioned well, which will be drilled as an E/2 proration unit.

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Should you have any questions, please feel free to contact us.

Sincerely,

Mark Wheeler, CPL
Senior Landman

/cmw: Orleans 25 #1 Fed Com AFE letter to Pitch Energy Corp.(1m)
xc: Jim Geitgey / Dale Douglas / Jerry Elger

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SENT CERTIFIED MAIL – RETURN RECEIPT REQUESTED NO. 70050390000299274476

February 6, 2006

Rio Pecos Corp.
4501 Greentree Blvd.
Midland, Texas 79707
Attention: Mr. Mark Wilson

Re: Correction AFE to drill Orleans "25" #1 well
660' FNL & 1650' FEL of Section 25,
T18S, R26E, NMPM
Orleans Prospect
Eddy County, New Mexico

Gentlemen:

Please find enclosed for your review and execution, two (2) copies of our AFE for the captioned well, which will be drilled as an E/2 proration unit. Our previous letter of 1/24/06 had an incorrect recitation of the section number.

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Should you have any questions, please feel free to contact us.

Sincerely,

Mark Wheeler, CPL
Senior Landman

/cmw: Orleans 25 #1 Correction AFE letter to Rio Pecos Corp.(1m)
xc: Jim Geitgy / Dale Douglas / Jerry Elger

203 West Wall Street
Suite 1201 (Zip 79701)
P.O. Box 10187
Midland, Texas 79702

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Exploration and Development

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SENT CERTIFIED MAIL – RETURN RECEIPT REQUESTED NO. 70022410000013738208

February 22, 2005

Rio Pecos Corp.
4501 Greentree Blvd.
Midland, Texas 79707
Attention: Mr. Mark Wilson

Re: AFE to drill Orleans "25" Fed Com #1 well
660' FNL & 1650' FEL of Section 25,
T18S, R26E, NMPM
Orleans Prospect
Eddy County, New Mexico

Gentlemen:

Please find enclosed for your review and execution, two (2) copies of our AFE for the captioned well, which will be drilled as an E/2 proration unit.

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Should you have any questions, please feel free to contact us:

Sincerely,

Mark Wheeler, CPL
Senior Landman

/cmw: Orleans 25 #1 Fed Com AFE letter to Rio Pecos Corp.(1m)

xc: Jim Geitgey / Dale Douglas / Jerry Elger

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E-Mail: mark@capstoneoil.com

SENT CERTIFIED MAIL – RETURN RECEIPT REQUESTED NO. 70050390000299274483

February 6, 2006

Mr. Roy L. Crow
P. O. Box 5527
Granbury, Texas 76049

Re: Correction AFE to drill Orleans "25" #1 well
660' FNL & 1650' FEL of Section 25,
T18S, R26E, NMPM
Orleans Prospect
Eddy County, New Mexico

Dear Sir:

Please find enclosed for your review and execution, two (2) copies of our AFE for the captioned well, which will be drilled as an E/2 proration unit. Our previous letter of 1/24/06 had an incorrect recitation of the section number.

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Should you have any questions, please feel free to contact us:

Sincerely,

Mark Wheeler, CPL
Senior Landman

/cmw: Orleans 25 #1 Correction AFE letter to Roy L. Crow (1m)
xc: Jim Geitgey / Dale Douglas / Jerry Elger

203 West Wall Street
Suite 1201 (Zip 79701)
P.O. Box 10187
Midland, Texas 79702

CAPSTONE OIL & GAS COMPANY, L.P.

Exploration and Development

Area Code: 432
Phone : 682-5565
Fax: 682-4498
E-Mail:
mark@capstoneoil.com

SENT CERTIFIED MAIL – RETURN RECEIPT REQUESTED NO. 70050390000299274490

February 6, 2006

Tara-Jon Corp.
6003 Meadow View Lane
Midland, Texas 79707
Attention: Mr. John Echols

Re: Correction AFE to drill Orleans "25" #1 well
660' FNL & 1650' FEL of Section 25,
T18S, R26E, NMPM
Orleans Prospect
Eddy County, New Mexico

Dear John:

Please find enclosed for your review and execution, two (2) copies of our AFE for the captioned well, which will be drilled as an E/2 proration unit. Our previous letter of 1/24/06 had an incorrect recitation of the section number.

If you are prepared to participate in this well, please execute and forward one (1) of the enclosed AFE to the undersigned at your earliest convenience.

If you do not want to participate in the drilling of this well, Capstone would like to negotiate a farmout or the purchase of a term assignment of your leasehold rights under the E/2 of said Section 25, as to depths from 3,750' subsurface down to 9,800' subsurface in the SE/4 and all depths below 3,750' in the NE/4.

Should you have any questions, please feel free to contact us.

Sincerely,

Mark Wheeler, CPL
Senior Landman

/cmw: Orleans 25 #1 Correction AFE letter to Tara-Jon Corp. (1m)
xc: Jim Geitgey / Dale Douglas / Jerry Elger

203 West Wall Street
Suite 1201 (Zip 79701)
P.O. Box 10187
Midland, Texas 79702

CAPSTONE OIL & GAS COMPANY, L.P.
Exploration and Development

Area Code: 432
Phone: 682-5565
Fax: 682-4498
E-Mail: mark@capstoneoil.com

SENT CERTIFIED MAIL – RETURN RECEIPT REQUESTED NO. 70050390000299274506

February 6, 2006

Tex Zia Properties, Ltd.
7121 Oakbrook Dr.
Plano, Texas 75025

Re: Correction AFE to drill Orleans "25" #1 well
660' FNL & 1650' FEL of Section 25,
T18S, R26E, NMPM
Orleans Prospect
Eddy County, New Mexico

Gentlemen:

Please find enclosed for your review and execution, two (2) copies of our AFE for the captioned well, which will be drilled as an E/2 proration unit. Our previous letter of 1/24/06 had an incorrect recitation of the section number.

If you are prepared to participate in this well, please execute and forward one (1) of the enclosed AFE to the undersigned at your earliest convenience.

If you do not want to participate in the drilling of this well, Capstone would like to negotiate a farmout or the purchase of a term assignment of your leasehold rights under the NE/4 of said Section 25, as to rights below 3,750' subsurface.

Should you have any questions, please feel free to contact us:

Sincerely,

Mark Wheeler, CPL
Senior Landman

/cmw: Orleans 25 #1 Correction AFE letter to Tex Zia Properties (1m)
xc: Jim Geitgey / Dale Douglas / Jerry Elger

203 West Wall Street
Suite 1201 (Zip 79701)
P.O. Box 10187
Midland, Texas 79702

CAPSTONE OIL & GAS COMPANY, L.P.
Exploration and Development

Area Code: 432
Phone : 682-5565
Fax: 682-4498
E-Mail: mark@capstoneoil.com

SENT CERTIFIED MAIL – RETURN RECEIPT REQUESTED NO. 70050390000299274513

February 6, 2006

Yates Petroleum Corporation
Sacramento Partners Limited Partnership
John A. Yates, Individually
John A. Yates, Trustee of Trust "Q" u/w/o Peggy A. Yates
Sharbro Oil Limited Partnership
105 South Fourth Street
Artesia, NM 88210

Re: Correction AFE to drill Orleans "25" #1 well
660' FNL & 1650' FEL of Section 25,
T18S, R26E, NMPM
Orleans Prospect
Eddy County, New Mexico

Gentlemen:

Please find enclosed for your review and execution, two (2) copies of our AFE for the captioned well, which will be drilled as an E/2 proration unit. Our previous letter of 1/24/06 had an incorrect recitation of the section number.

If each of you are prepared to participate in this well, please execute and forward one (1) of the enclosed AFE to the undersigned at your earliest convenience. You may make multiple copies of the AFE and return for each party if you so desire.

If you do not want to participate in the drilling of this well, Capstone would like to negotiate a farmout or the purchase of a term assignment of your leasehold rights under the SE/4 of said Section 25, as to rights from 3,750' subsurface to 9,800' subsurface.

Should you have any questions, please feel free to contact us.

Sincerely,

Mark Wheeler, CPL
Senior Landman

/cmw: Orleans 25 #1 Correction AFE letter to Yates, et al (1m)
xc: Jim Geitgey / Dale Douglas / Jerry Elger

203 West Wall Street
Suite 1201 (Zip 79701)
P.O. Box 10187
Midland, Texas 79702

CAPSTONE OIL & GAS COMPANY, L.P.
Exploration and Development

Area Code: 432
Phone: 682-5565
Fax: 682-4498
E-Mail: mark@capstoneoil.com

SENT CERTIFIED MAIL – RETURN RECEIPT REQUESTED NO. 70031680000662866566

February 22, 2005

Yates Petroleum Corporation
S. P. Yates
John A. Yates
Martin Yates, III
105 South Fourth Street
Artesia, NM 88210

Re: AFE to drill Orleans "25" Fed Com #1 well
660' FNL & 1650' FEL of Section 25,
T18S, R26E, NMPM
Orleans Prospect
Eddy County, New Mexico

Gentlemen:

Please find enclosed for your review and execution, two (2) copies of our AFE for the captioned well, which will be drilled as an E/2 proration unit.

If you are prepared to participate in this well, please execute and forward one (1) of the enclosed AFE to the undersigned at your earliest convenience.

If you do not want to participate in the drilling of this well, Capstone would like to negotiate a farmout or the purchase of a term assignment of your leasehold rights under the SE/4 of said Section 25, as to rights from 3,750' subsurface to 9,800' subsurface.

Should you have any questions, please feel free to contact us.

Sincerely,

Mark Wheeler, CPL
Senior Landman

/cmw: Orleans 25 #1 Fed Com AFE letter to Yates, et al (1m)
xc: Jim Geitgey / Dale Douglas / Jerry Elger

203 West Wall Street
Suite 1201 (Zip 79701)
P.O. Box 10187
Midland, Texas 79702

CAPSTONE OIL & GAS COMPANY, L.P.
Exploration and Development

Area Code: 432
Phone: 682-5565
Fax: 682-4498
E-Mail: mark@capstoneoil.com

May 26, 2006

Yates Petroleum Corporation
Sacramento Partners Limited Partnership
John A. Yates, Individually
John A. Yates, Trustee of Trust "Q" u/w/o Peggy A. Yates
Sharbro Oil Limited Partnership
105 South Fourth Street
Artesia, NM 88210

Re: Term Assignment Request
E/2 of Section 25
(rights from 3,750' to 9,800' subsurface in the SE/4)
T-18-S, R-26-E, NMPM,
Orleans Prospect
Eddy County, New Mexico

Gentlemen:

This letter shall set forth the general terms and conditions of our request for Yates Petroleum Corporation, Sacramento Partners Limited Partnership, John A. Yates, Individually, John A. Yates, Trustee of Trust "Q" u/w/o Peggy A. Yates, and Sharbro Oil Limited Partnership ("Yates, et al") to grant a term assignment to Capstone Oil & Gas Company, L.P. ("Capstone") on its leasehold interest in the captioned lands (17.7832 net acres). The requested terms for said assignment are as follows:

1. Capstone will pay Yates, et al \$150.00 per acre (or a total of \$2,667.48) for an eighteen (18) month term assignment, covering 100% of Yates, et al.'s leasehold rights under the captioned acreage from 3,750' subsurface to 9,800' subsurface.
2. Yates, et al would retain an overriding royalty interest equal to the difference between existing burdens and 25%, thus delivering to Capstone a 75% net revenue interest under said term assignment.

If these terms are acceptable, Capstone will review Yates, et al's term assignment form and advise if any changes are needed or prepare a form for Yates, et al to review. Our payment of the aforesaid consideration is specifically subject to our satisfaction of title under Yates, et al's leasehold interest in and to the captioned acreage.

Yates Petroleum Corporation
May 26, 2006
Page -2-

Should you have any questions concerning these matters, please contact me at the number shown below my signature. Thank you for your cooperation and we look forward to hearing from you shortly.

Sincerely,

Jim Stone
on behalf of Capstone
(281) 413-2125
jrstone@houston.rr.com

AGREED TO AND ACCEPTED this
_____ day of _____, 2006.

YATES PETROLEUM CORPORATION

By: _____
Name/Title: _____

JRS/ms
xc: Dale Douglas

203 West Wall Street
Suite 1201 (Zip 79701)
P.O. Box 10187
Midland, Texas 79702

CAPSTONE OIL & GAS COMPANY, L.P.
Exploration and Development

Area Code: 432
Phone : 682-5565
Fax: 682-4498
E-Mail: mark@capstoneoil.com

May 26, 2006

Mr. Mark Wilson
4501 Greentree Boulevard
Midland, TX 79707

Re: Term Assignment Request
E/2 of Section 25
(rights from 3,750' to 9,800' subsurface in the SE/4)
T-18-S, R-26-E, NMPM,
Orleans Prospect
Eddy County, New Mexico

Dear Mr. Wilson:

This letter shall set forth the general terms and conditions of our request for you to grant a term assignment to Capstone Oil & Gas Company, L.P. ("Capstone") on its leasehold interest in the captioned lands (34.1700 net acres). The requested terms for said assignment are as follows:

1. Capstone will pay you \$150.00 per acre (or a total of \$5,125.50) for an eighteen (18) month term assignment, covering 100% of your leasehold rights under the captioned acreage from 3,750' subsurface to 9,800' subsurface.
2. You would retain an overriding royalty interest equal to the difference between existing burdens and 25%, thus delivering to Capstone a 75% net revenue interest under said term assignment.

If these terms are acceptable, Capstone will review your term assignment form and advise if any changes are needed or prepare a form for you to review. Our payment of the aforesaid consideration is specifically subject to our satisfaction of title under your leasehold interest in and to the captioned acreage.

Mr. Mark Wilson
May 26, 2006
Page -2-

Should you have any questions concerning these matters, please contact me at the number shown below my signature. Thank you for your cooperation and we look forward to hearing from you shortly.

Sincerely,

Jim Stone
on behalf of Capstone
(281) 413-2125
jrstone@houston.rr.com

AGREED TO AND ACCEPTED this
_____ day of _____, 2006.

MR. MARK WILSON

By: _____
Name/Title: _____

JRS/ms
xc: Dale Douglas

203 West Wall Street
Suite 1201 (Zip 79701)
P.O. Box 10187
Midland, Texas 79702

CAPSTONE OIL & GAS COMPANY, L.P.
Exploration and Development

Area Code: 432
Phone : 682-5565
Fax: 682-4498
E-Mail: mark@capstoneoil.com

May 26, 2006

Tex Zia Properties, Ltd.
7121 Oakbrook Drive
Plano, TX 75025

Re: Term Assignment Request
E/2 of Section 25
(rights below 3,750' in the NE/4)
T-18-S, R-26-E, NMPM,
Orleans Prospect
Eddy County, New Mexico

Gentlemen:

This letter shall set forth the general terms and conditions of our request for Tex Zia Properties, Ltd. ("Tex-Zia") to grant a term assignment to Capstone Oil & Gas Company, L.P. ("Capstone") on its leasehold interest in the captioned lands (13.3333 net acres). The requested terms for said assignment are as follows:

1. Capstone will pay Tex-Zia \$150.00 per acre (or a total of \$2,000.00) for an eighteen (18) month term assignment, covering 100% of Tex-Zia's leasehold rights under the captioned acreage below 3,750' subsurface.
2. Tex-Zia would retain an overriding royalty interest equal to the difference between existing burdens and 25%, thus delivering to Capstone a 75% net revenue interest under said term assignment.

If these terms are acceptable, Capstone will review Tex-Zia's term assignment form and advise if any changes are needed or prepare a form for Tex-Zia to review. Our payment of the aforesaid consideration is specifically subject to our satisfaction of title under Tex-Zia's leasehold interest in and to the captioned acreage.

Tex Zia Properties, Ltd.
May 26, 2006
Page -2-

Should you have any questions concerning these matters, please contact me at the number shown below my signature. Thank you for your cooperation and we look forward to hearing from you shortly.

Sincerely,

Jim Stone
on behalf of Capstone
(281) 413-2125
jrstone@houston.rr.com

AGREED TO AND ACCEPTED this
_____ day of _____, 2006.

TEX ZIA PROPERTIES, LTD.

By: _____
Name/Title: _____

JRS/ms
xc: Dale Douglas

203 West Wall Street
Suite 1201 (Zip 79701)
P.O. Box 10187
Midland, Texas 79702

CAPSTONE OIL & GAS COMPANY, L.P.
Exploration and Development

Area Code: 432
Phone : 682-5565
Fax: 682-4498
E-Mail: mark@capstoneoil.com

May 26, 2006

Tara-Jon Corporation
6003 Meadow View Lane
Midland, Texas 79707
Attn: Mr. John Echols

Re: Term Assignment Request
E/2 of Section 25
(rights from 3,750' to 9,800' subsurface in the
SE/4, and all depths below 3,750' in the NE/4)
T-18-S, R-26-E, NMPM,
Orleans Prospect
Eddy County, New Mexico

Dear Mr. Echols:

This letter shall set forth the general terms and conditions of our request for Tara-Jon Corporation ("Tara-Jon") to grant a term assignment to Capstone Oil & Gas Company, L.P. ("Capstone") on its leasehold interest in the captioned lands (20.1673 net acres). The requested terms for said assignment are as follows:

1. Capstone will pay Tara-Jon \$150.00 per acre (or a total of \$3,025.10) for an eighteen (18) month term assignment, covering 100% of the Tara-Jon's leasehold rights under the captioned acreage as to rights below the depth of 3,750 feet below the surface.
2. Tara-Jon would retain an overriding royalty interest equal to the difference between existing burdens and 25%, thus delivering to Capstone a 75% net revenue interest under said term assignment.

If these terms are acceptable, Capstone will review Tara-Jon's term assignment form and advise if any changes are needed or prepare a form for Tara-Jon to review. Our payment of the aforesaid consideration is specifically subject to our satisfaction of title under Tara-Jon's leasehold interest in and to the captioned acreage.

Tara-Jon Corporation
May 26, 2006
Page -2-

Should you have any questions concerning these matters, please contact me at the number shown below my signature. Thank you for your cooperation and we look forward to hearing from you shortly.

Sincerely,

Jim Stone
on behalf of Capstone
(281) 413-2125
jrstone@houston.rr.com

AGREED TO AND ACCEPTED this
_____ day of _____, 2006.

TARA-JON CORPORATION

By: _____
Name/Title: _____

JRS/ms
xc: Dale Douglas

203 West Wall Street
Suite 1201 (Zip 79701)
P.O. Box 10187
Midland, Texas 79702

CAPSTONE OIL & GAS COMPANY, L.P.
Exploration and Development

Area Code: 432
Phone : 682-5565
Fax: 682-4498
E-Mail: mark@capstoneoil.com

May 26, 2006

Rio Pecos Corporation
4501 Greentree Boulevard
Midland, TX 79707
Attn: Mr. Mark Wilson

Re: Term Assignment Request
E/2 of Section 25
(rights below 3,750')
T-18-S, R-26-E, NMPM,
Orleans Prospect
Eddy County, New Mexico

Dear Mr. Wilson:

This letter shall set forth the general terms and conditions of our request for Rio Pecos Corporation ("Rio Pecos") to grant a term assignment to Capstone Oil & Gas Company, L.P. ("Capstone") on its leasehold interest in the captioned lands (20.1673 net acres). The requested terms for said assignment are as follows:

1. ~~Capstone will pay Rio Pecos \$150.00 per acre (or a total of \$3,025.10) for an eighteen~~
(18) month term assignment, covering 100% of Rio Pecos's leasehold rights under the captioned acreage below 3,750' subsurface.
2. Rio Pecos would retain an overriding royalty interest equal to the difference between existing burdens and 25%, thus delivering to Capstone a 75% net revenue interest under said term assignment.

If these terms are acceptable, Capstone will review Rio Pecos's term assignment form and advise if any changes are needed or prepare a form for Rio Pecos to review. Our payment of the aforesaid consideration is specifically subject to our satisfaction of title under Rio Pecos's leasehold interest in and to the captioned acreage.

Rio Pecos Corporation
May 26, 2006
Page -2-

Should you have any questions concerning these matters, please contact me at the number shown below my signature. Thank you for your cooperation and we look forward to hearing from you shortly.

Sincerely,

Jim Stone
on behalf of Capstone
(281) 413-2125
jrstone@houston.rr.com

AGREED TO AND ACCEPTED this
_____ day of _____, 2006.

RIO PECOS CORPORATION

By: _____
Name/Title: _____

JRS/ms
xc: Dale Douglas

203 West Wall Street
Suite 1201 (Zip 79701)
P.O. Box 10187
Midland, Texas 79702

CAPSTONE OIL & GAS COMPANY, L.P.
Exploration and Development

Area Code: 432
Phone : 682-5565
Fax: 682-4498
E-Mail: mark@capstoneoil.com

May 26, 2006

Pitch Energy Corporation
P.O. Box 227
Artesia, NM 88211
Attn: Mr. Dean Chumbley

Re: Term Assignment Request
E/2 of Section 25
(rights from 3,750' to 9,800' subsurface in the NE/4)
T-18-S, R-26-E, NMPM,
Orleans Prospect
Eddy County, New Mexico

Dear Mr. Chumbley:

This letter shall set forth the general terms and conditions of our request for Pitch Energy Corporation ("Pitch Energy") to grant a term assignment to Capstone Oil & Gas Company, L.P. ("Capstone") on its leasehold interest in the captioned lands (13.3333 net acres). The requested terms for said assignment are as follows:

1. ~~Capstone will pay Pitch Energy \$150.00 per acre (or a total of \$2,000.00) for an eighteen~~
(18) month term assignment, covering 100% of Pitch Energy's leasehold rights under the captioned acreage from 3,750' subsurface to 9,800' subsurface.
2. Pitch Energy would retain an overriding royalty interest equal to the difference between existing burdens and 25%, thus delivering to Capstone a 75% net revenue interest under said term assignment.

If these terms are acceptable, Capstone will review Pitch Energy's term assignment form and advise if any changes are needed or prepare a form for Pitch Energy to review. Our payment of the aforesaid consideration is specifically subject to our satisfaction of title under Pitch Energy's leasehold interest in and to the captioned acreage.

Pitch Energy Corporation

May 26, 2006

Page -2-

Should you have any questions concerning these matters, please contact me at the number shown below my signature. Thank you for your cooperation and we look forward to hearing from you shortly.

Sincerely,

Jim Stone
on behalf of Capstone
(281) 413-2125
jrstone@houston.rr.com

AGREED TO AND ACCEPTED this
_____ day of _____, 2006.

PITCH ENERGY CORPORATION

By: _____
Name/Title: _____

JRS/ms
xc: Dale Douglas

203 West Wall Street
Suite 1201 (Zip 79701)
P.O. Box 10187
Midland, Texas 79702

CAPSTONE OIL & GAS COMPANY, L.P.
Exploration and Development

Area Code: 432
Phone : 682-5565
Fax: 682-4498
E-Mail: mark@capstoneoil.com

May 26, 2006

Pathfinder Exploration Company
500 West Texas, Suite 1220
Midland, TX 79701
Attn: Mr. Scott Wilson

Re: Term Assignment Request
E/2 of Section 25
(rights from 3,750' to 9,800' subsurface in the SE/4
and all depths below 3,750' in the NE/4)
T-18-S, R-26-E, NMPM,
Orleans Prospect
Eddy County, New Mexico

Dear Mr. Wilson:

This letter shall set forth the general terms and conditions of our request for Pathfinder Exploration Company ("Pathfinder") to grant a term assignment to Capstone Oil & Gas Company, L.P. ("Capstone") on its leasehold interest in the captioned lands (20.1673 net acres). The requested terms for said assignment are as follows:

1. Capstone will pay Pathfinder \$150.00 per acre (or a total of \$3,025.10) for an eighteen (18) month term assignment, covering 100% of Pathfinder's leasehold rights under the captioned acreage from 3,750' subsurface to 9,800' subsurface in the SE/4 and all depths below 3,750' in the NE/4.
2. Pathfinder would retain an overriding royalty interest equal to the difference between existing burdens and 25%, thus delivering to Capstone a 75% net revenue interest under said term assignment.

If these terms are acceptable, Capstone will review Pathfinder's term assignment form and advise if any changes are needed or prepare a form for Pathfinder to review. Our payment of the aforesaid consideration is specifically subject to our satisfaction of title under Pathfinder's leasehold interest in and to the captioned acreage.

Pathfinder Exploration Company

May 26, 2006

Page -2-

Should you have any questions concerning these matters, please contact me at the number shown below my signature. Thank you for your cooperation and we look forward to hearing from you shortly.

Sincerely,

Jim Stone
on behalf of Capstone
(281) 413-2125
jrstone@houston.rr.com

AGREED TO AND ACCEPTED this
_____ day of _____, 2006.

PATHFINDER EXPLORATION COMPANY

By: _____
Name/Title: _____

JRS/ms
xc: Dale Douglas

203 West Wall Street
Suite 1201 (Zip 79701)
P.O. Box 10187
Midland, Texas 79702

CAPSTONE OIL & GAS COMPANY, L.P.
Exploration and Development

Area Code: 432
Phone : 682-5565
Fax: 682-4498
E-Mail: mark@capstoneoil.com

May 26, 2006

Pathfinder Exploration Company
4601 Mirador Drive
Austin, TX 78735-1554

Attn: Mr. Scott Wilson

Re: Term Assignment Request
E/2 of Section 25
(rights from 3,750' to 9,800' subsurface in the SE/4
and all depths below 3,750' in the NE/4)
T-18-S, R-26-E, NMPM,
Orleans Prospect
Eddy County, New Mexico

Dear Mr. Wilson:

This letter shall set forth the general terms and conditions of our request for Pathfinder Exploration Company ("Pathfinder") to grant a term assignment to Capstone Oil & Gas Company, L.P. ("Capstone") on its leasehold interest in the captioned lands (20.1673 net acres). The requested terms for said assignment are as follows:

1. Capstone will pay Pathfinder \$150.00 per acre (or a total of \$3,025.10) for an eighteen (18) month term assignment, covering 100% of Pathfinder's leasehold rights under the captioned acreage from 3,750' subsurface to 9,800' subsurface in the SE/4 and all depths below 3,750' in the NE/4.
2. Pathfinder would retain an overriding royalty interest equal to the difference between existing burdens and 25%, thus delivering to Capstone a 75% net revenue interest under said term assignment.

If these terms are acceptable, Capstone will review Pathfinder's term assignment form and advise if any changes are needed or prepare a form for Pathfinder to review. Our payment of the aforesaid consideration is specifically subject to our satisfaction of title under Pathfinder's leasehold interest in and to the captioned acreage.

Pathfinder Exploration Company

May 26, 2006

Page -2-

Should you have any questions concerning these matters, please contact me at the number shown below my signature. Thank you for your cooperation and we look forward to hearing from you shortly.

Sincerely,

Jim Stone
on behalf of Capstone
(281) 413-2125
jrstone@houston.rr.com

AGREED TO AND ACCEPTED this
_____ day of _____, 2006.

PATHFINDER EXPLORATION COMPANY

By: _____
Name/Title: _____

JRS/ms
xc: Dale Douglas

203 West Wall Street
Suite 1201 (Zip 79701)
P.O. Box 10187
Midland, Texas 79702

CAPSTONE OIL & GAS COMPANY, L.P.
Exploration and Development

Area Code: 432
Phone : 682-5565
Fax: 682-4498
E-Mail: mark@capstoneoil.com

May 26, 2006

The Roger T. Elliott and Holly L.
Elliott Family Limited Partnership, L.P.
4105 Baybrook Drive
Midland, TX 79707
Attn: Mr. Roger Elliott

Re: Term Assignment Request
E/2 of Section 25
(rights from 3,750' to 9,800' subsurface in the SE/4
and all depths below 3,750 in the NE/4)
T-18-S, R-26-E, NMPM,
Orleans Prospect
Eddy County, New Mexico

Dear Mr. Elliott:

This letter shall set forth the general terms and conditions of our request for The Roger T. Elliott and Holly L. Elliott Family Limited Partnership, L.P. ("Elliott Family") to grant a term assignment to Capstone Oil & Gas Company, L.P. ("Capstone") on its leasehold interest in the captioned lands (20.1673 net acres). The requested terms for said assignment are as follows:

1. Capstone will pay Elliott Family \$150.00 per acre (or a total of \$3,025.10) for an eighteen (18) month term assignment, covering 100% of Elliott Family's leasehold rights under the captioned acreage from 3,750' subsurface to 9,800' subsurface in the SE/4 and all depths below 3,750' in the NE/4.
2. Elliott Family would retain an overriding royalty interest equal to the difference between existing burdens and 25%, thus delivering to Capstone a 75% net revenue interest under said term assignment.

If these terms are acceptable, Capstone will review Elliott Family's term assignment form and advise if any changes are needed or prepare a form for Elliott Family to review. Our payment of the aforesaid consideration is specifically subject to our satisfaction of title under Elliott Family's leasehold interest in and to the captioned acreage.

The Roger T. Elliott and Holly L. Elliott Family Limited Partnership, L.P.

May 26, 2006

Page -2-

Should you have any questions concerning these matters, please contact me at the number shown below my signature. Thank you for your cooperation and we look forward to hearing from you shortly.

Sincerely,

Jim Stone
on behalf of Capstone
(281) 413-2125
jrstone@houston.rr.com

AGREED TO AND ACCEPTED this
_____ day of _____, 2006.

THE ROGER T. ELLIOTT AND HOLLY L. ELLIOTT FAMILY LIMITED PARTNERSHIP, L.P.

By: _____
Name/Title: _____

JRS/ms
xc: Dale Douglas

203 West Wall Street
Suite 1201 (Zip 79701)
P.O. Box 10187
Midland, Texas 79702

CAPSTONE OIL & GAS COMPANY, L.P.
Exploration and Development

Area Code: 432
Phone : 682-5565
Fax: 682-4498
E-Mail: mark@capstoneoil.com

May 26, 2006

Devon Energy Production Company, L. P.
20 North Broadway
Oklahoma City, OK 73102-8360
Attn: Ms. Meg Muhlinghause

Re: Term Assignment Request
E/2 of Section 25
(rights below 3,750' subsurface in the NE/4)
T-18-S, R-26-E, NMPM,
Orleans Prospect
Eddy County, New Mexico

Dear Ms. Muhlinghause:

This letter shall set forth the general terms and conditions of our request for Devon Energy Production Company, L. P. ("Devon Energy") to grant a term assignment to Capstone Oil & Gas Company, L.P. ("Capstone") on its leasehold interest in the captioned lands (66.6667 net acres). The requested terms for said assignment are as follows:

1. ~~Capstone will pay Devon Energy \$150.00 per acre (or a total of \$10,000.01) for an~~
eighteen (18) month term assignment, covering 100% of Devon Energy's leasehold rights
under the captioned acreage below 3,750' subsurface.
2. Devon Energy would retain an overriding royalty interest equal to the difference between
existing burdens and 25%, thus delivering to Capstone a 75% net revenue interest under
said term assignment.

If these terms are acceptable, Capstone will review Devon Energy's term assignment form and advise if any changes are needed or prepare a form for Devon Energy to review. Our payment of the aforesaid consideration is specifically subject to our satisfaction of title under Devon Energy's leasehold interest in and to the captioned acreage.

Devon Energy Production Company, L. P.

May 26, 2006

Page -2-

Should you have any questions concerning these matters, please contact me at the number shown below my signature. Thank you for your cooperation and we look forward to hearing from you shortly.

Sincerely,

Jim Stone
on behalf of Capstone
(281) 413-2125
jrstone@houston.rr.com

AGREED TO AND ACCEPTED this
_____ day of _____, 2006.

DEVON ENERGY PRODUCTION COMPANY, L. P.

By: _____
Name/Title: _____

JRS/ms

xc: Dale Douglas

203 West Wall Street
Suite 1201 (Zip 79701)
P.O. Box 10187
Midland, Texas 79702

CAPSTONE OIL & GAS COMPANY, L.P.
Exploration and Development

Area Code: 432
Phone : 682-5565
Fax: 682-4498
E-Mail: mark@capstoneoil.com

May 26, 2006

Mr. Roy L. Crow
P.O. Box 5527
Granbury, TX 76049

Re: Term Assignment Request
E/2 of Section 25
(rights from 3,750' to 9,800' subsurface in the SE/4)
T-18-S, R-26-E, NMPM,
Orleans Prospect
Eddy County, New Mexico

Dear Mr. Crow:

This letter shall set forth the general terms and conditions of our request for you to grant a term assignment to Capstone Oil & Gas Company, L.P. ("Capstone") on its leasehold interest in the captioned lands (0.7740 net acres). The requested terms for said assignment are as follows:

1. Capstone will pay you \$150.00 per acre (or a total of \$116.10) for an eighteen (18) month term assignment, covering 100% of your leasehold rights under the captioned acreage from 3,750' subsurface to 9,800' subsurface.
2. You would retain an overriding royalty interest equal to the difference between existing burdens and 25%, thus delivering to Capstone a 75% net revenue interest under said term assignment.

If these terms are acceptable, Capstone will review your term assignment form and advise if any changes are needed or prepare a form for you to review. Our payment of the aforesaid consideration is specifically subject to our satisfaction of title under your leasehold interest in and to the captioned acreage.

Mr. Roy L. Crow
May 26, 2006
Page -2-

Should you have any questions concerning these matters, please contact me at the number shown below my signature. Thank you for your cooperation and we look forward to hearing from you shortly.

Sincerely,

Jim Stone
on behalf of Capstone
(281) 413-2125
jrstone@houston.rr.com

AGREED TO AND ACCEPTED this
_____ day of _____, 2006.

MR. ROY L. CROW

By: _____
Name/Title: _____

JRS/ms
xc: Dale Douglas

203 West Wall Street
Suite 1201 (Zip 79701)
P.O. Box 10187
Midland, Texas 79702

CAPSTONE OIL & GAS COMPANY, L.P.
Exploration and Development

Area Code: 432
Phone : 682-5565
Fax: 682-4498
E-Mail: mark@capstoneoil.com

May 26, 2006

ConocoPhillips Company
P.O. Box 2197
Houston, TX 77252-2197
Attn: Ms. Linda Hicks

Re: Term Assignment Request
E/2 of Section 25
(rights from 3,750' to 9,800' subsurface in the SE/4)
T-18-S, R-26-E, NMPM,
Orleans Prospect
Eddy County, New Mexico

Dear Ms. Hicks:

This letter shall set forth the general terms and conditions of our request for ConocoPhillips Company ("ConocoPhillips") to grant a term assignment to Capstone Oil & Gas Company, L.P. ("Capstone") on its leasehold interest in the captioned lands (27.3360 net acres). The requested terms for said assignment are as follows:

1. ~~Capstone will pay ConocoPhillips \$150.00 per acre (or a total of \$4,100.40) for an~~
eighteen (18) month term assignment, covering 100% of ConocoPhillips's leasehold rights under the captioned acreage from 3,750' subsurface to 9,800' subsurface.
2. ConocoPhillips would retain an overriding royalty interest equal to the difference between existing burdens and 25%, thus delivering to Capstone a 75% net revenue interest under said term assignment.

If these terms are acceptable, Capstone will review ConocoPhillips's term assignment form and advise if any changes are needed or prepare a form for ConocoPhillips to review. Our payment of the aforesaid consideration is specifically subject to our satisfaction of title under ConocoPhillips's leasehold interest in and to the captioned acreage.

ConocoPhillips Company

May 26, 2006

Page -2-

Should you have any questions concerning these matters, please contact me at the number shown below my signature. Thank you for your cooperation and we look forward to hearing from you shortly.

Sincerely,

Jim Stone
on behalf of Capstone
(281) 413-2125
jrstone@houston.rr.com

AGREED TO AND ACCEPTED this
_____ day of _____, 2006.

CONOCOPHILLIPS COMPANY

By: _____
Name/Title: _____

JRS/ms
xc: Dale Douglas

203 West Wall Street
Suite 1201 (Zip 79701)
P.O. Box 10187
Midland, Texas 79702

CAPSTONE OIL & GAS COMPANY, L.P.
Exploration and Development

Area Code: 432
Phone : 682-5565
Fax: 682-4498
E-Mail: mark@capstoneoil.com

May 26, 2006

Cannon Exploration Company
3608 SCR 1184
Midland, TX 78707
Attn: Mr. Todd Wilson

Re: Term Assignment Request
E/2 of Section 25
(rights from 3,750' to 9,800' subsurface in the SE/4; all
depths below 3,750' in the NE/4)
T-18-S, R-26-E, NMPM,
Orleans Prospect
Eddy County, New Mexico

Dear Mr. Wilson:

This letter shall set forth the general terms and conditions of our request for Cannon Exploration Company ("Cannon") to grant a term assignment to Capstone Oil & Gas Company, L.P. ("Capstone") on its leasehold interest in the captioned lands (20.1673 net acres). The requested terms for said assignment are as follows:

1. Capstone will pay Cannon \$150.00 per acre (or a total of \$3,025.10) for an eighteen (18) month term assignment, covering 100% of Cannon's leasehold rights under the captioned acreage from 3,750' subsurface to 9,800' subsurface in the SE/4 and all depths below 3,750' in the NE/4.
2. Cannon would retain an overriding royalty interest equal to the difference between existing burdens and 25%, thus delivering to Capstone a 75% net revenue interest under said term assignment.

If these terms are acceptable, Capstone will review Cannon's term assignment form and advise if any changes are needed or prepare a form for Cannon to review. Our payment of the aforesaid consideration is specifically subject to our satisfaction of title under Cannon's leasehold interest in and to the captioned acreage.

Cannon Exploration Company

May 26, 2006

Page -2-

Should you have any questions concerning these matters, please contact me at the number shown below my signature. Thank you for your cooperation and we look forward to hearing from you shortly.

Sincerely,

Jim Stone
on behalf of Capstone
(281) 413-2125
jrstone@houston.rr.com

AGREED TO AND ACCEPTED this
_____ day of _____, 2006.

CANNON EXPLORATION COMPANY

By: _____
Name/Title: _____

JRS/ms
xc: Dale Douglas

203 West Wall Street
Suite 1201 (Zip 79701)
P.O. Box 10187
Midland, Texas 79702

CAPSTONE OIL & GAS COMPANY, L.P.
Exploration and Development

Area Code: 432
Phone : 682-5565
Fax: 682-4498
E-Mail: mark@capstoneoil.com

May 26, 2006

Basic Energy 1983 – A General Partnership
8429 Stable Glen Drive
Dallas, TX 75243

Re: Term Assignment Request
E/2 of Section 25
(rights from 3,750' to 9,800' subsurface in the SE/4)
T-18-S, R-26-E, NMPM,
Orleans Prospect
Eddy County, New Mexico

Gentlemen:

This letter shall set forth the general terms and conditions of our request for Basic Energy 1983 – A General Partnership (“Basic Energy”) to grant a term assignment to Capstone Oil & Gas Company, L.P. (“Capstone”) on its leasehold interest in the captioned lands (21.6727 net acres). The requested terms for said assignment are as follows:

1. Capstone will pay Basic Energy \$150.00 per acre (or a total of \$3,250.91) for an eighteen (18) month term assignment, covering 100% of Basic Energy's leasehold rights under the captioned acreage from 3,750' subsurface to 9,800' subsurface.
2. Basic Energy would retain an overriding royalty interest equal to the difference between existing burdens and 25%, thus delivering to Capstone a 75% net revenue interest under said term assignment.

If these terms are acceptable, Capstone will review Basic Energy's term assignment form and advise if any changes are needed or prepare a form for Basic Energy to review. Our payment of the aforesaid consideration is specifically subject to our satisfaction of title under Basic Energy's leasehold interest in and to the captioned acreage.

Basic Energy 1983 – A General Partnership
May 22, 2006
Page -2-

Should you have any questions concerning these matters, please contact me at the number shown below my signature. Thank you for your cooperation and we look forward to hearing from you shortly.

Sincerely,

Jim Stone
on behalf of Capstone
(281) 413-2125
jrstone@houston.rr.com

AGREED TO AND ACCEPTED this
_____ day of _____, 2006.

BASIC ENERGY 1983 – A GENERAL PARTNERSHIP

By: _____
Name/Title: _____

JRS/ms
xc: Dale Douglas

203 West Wall Street
Suite 1201 (Zip 79701)
P.O. Box 10187
Midland, Texas 79702

CAPSTONE OIL & GAS COMPANY, L.P.
Exploration and Development

Area Code: 432
Phone : 682-5565
Fax: 682-4498
E-Mail: mark@capstoneoil.com

May 26, 2006

Mr. James D. Brown, Jr.
16105 Red Cedar Trail
Dallas, TX 78248-3937

Re: Term Assignment Request
E/2 of Section 25
(rights from 3,750' to 9,800' subsurface in the SE/4)
T-18-S, R-26-E, NMPM,
Orleans Prospect
Eddy County, New Mexico

Dear Mr. Brown:

This letter shall set forth the general terms and conditions of our request for you to grant a term assignment to Capstone Oil & Gas Company, L.P. ("Capstone") on its leasehold interest in the captioned lands (0.7740 net acres). The requested terms for said assignment are as follows:

1. Capstone will pay you \$150.00 per acre (or a total of \$116.10) for an eighteen (18) month term assignment, covering 100% of your leasehold rights under the captioned acreage from 3,750' subsurface to 9,800' subsurface.
2. You would retain an overriding royalty interest equal to the difference between existing burdens and 25%, thus delivering to Capstone a 75% net revenue interest under said term assignment.

If these terms are acceptable, Capstone will review your term assignment form and advise if any changes are needed or prepare a form for you to review. Our payment of the aforesaid consideration is specifically subject to our satisfaction of title under your leasehold interest in and to the captioned acreage.

Mr. James D. Brown, Jr.
May 26, 2006
Page -2-

Should you have any questions concerning these matters, please contact me at the number shown below my signature. Thank you for your cooperation and we look forward to hearing from you shortly.

Sincerely,

Jim Stone
on behalf of Capstone
(281) 413-2125
jrstone@houston.rr.com

AGREED TO AND ACCEPTED this
_____ day of _____, 2006.

MR. JAMES D. BROWN, JR.

By: _____
Name/Title: _____

JRS/ms
xc: Dale Douglas

Subj: **FW: (no subject)**
Date: 6/9/2006 3:33:21 PM Mountain Standard Time
From: jrstone@houston.rr.com
To: JamesBruc@aol.com

fyi

From: James R. Stone [<mailto:jrstone@houston.rr.com>]
Sent: Friday, June 09, 2006 4:33 PM
To: 'RElliottCPL@aol.com'
Subject: RE: (no subject)

Roger,

We appreciate your counter-offer, but we are finding \$200/acre bonus to be a fair market offer. As another option, we would also be very pleased to have you participate with us in the drilling of this well. Let me know he would like to further discuss.

Thanks and regards,

Jim

From: RElliottCPL@aol.com [<mailto:RElliottCPL@aol.com>]
Sent: Thursday, June 08, 2006 10:08 AM
To: jrstone@houston.rr.com
Subject: Re: (no subject)

Jim - As you know (and Dale Douglas), lease bonuses in Southeast New Mexico have escalated especially with the State and Federal lease sales. This includes lands located in remote areas of Southeast New Mexico with little or no production in those areas.

It appears that Capstone is playing the lower Morrow Sands (three separate sands) that are trending southeast to northwest out of the Northwestern shores area. In addition, there could be shallow potential in the E/2 of Section 25 as well. If there was open Federal or State acreage in Section 25 or surrounding sections and ~~Capstone had to compete in Santa Fe with other companies, those lease bonuses would bring a lot more than~~ \$200.00 per acre.

We all know that the acreage cost is the lowest amount factor-in when drilling a prospect.

Pursuant to my email dated June 7, 2006, subparagraph 1. I will accept a bonus amount of \$400.00 per acre, being \$8,066.92. If this bonus amount is not acceptable to Capstone, they can take me under their compulsory pooling application, taking place this date.

Thanks,

Roger Elliott

Subj: **FW: (no subject)**
Date: 6/9/2006 3:33:55 PM Mountain Standard Time
From: jrstone@houston.rr.com
To: JamesBruc@aol.com

fyi

From: James R. Stone [mailto:jrstone@houston.rr.com]
Sent: Wednesday, June 07, 2006 4:04 PM
To: 'RElliottCPL@aol.com'
Subject: RE: (no subject)

Roger,

Thanks for your reply. I am authorized to extend our bonus offer to \$200.00 per acre x 20.1673 net acres = \$4,033.46. Let me know if this meets with your approval.

Thanks and regards,

Jim Stone

From: RElliottCPL@aol.com [mailto:RElliottCPL@aol.com]
Sent: Wednesday, June 07, 2006 10:06 AM
To: jrstone@houston.rr.com
Subject: (no subject)

Jim - I would be interested in granting Capstone Oil & Gas Company, L.P. a Term Assignment as follows:

1. Bonus: \$450.00 per acre x 20.1673 net acres = \$9,075.29.
2. Term: 18 months.
3. ORRI: The Elliott FLP would retain an overriding royalty interest equal to the difference between existing burdens of record and 25%, thus delivering to Capstone a 75% net revenue interest under said term assignment.

This offer will terminate on June 12, 2006. If you have any questions, please give me a call at (432) 687-5969.

Thanks,

Roger Elliott

203 West Wall Street
Suite 1201 (Zip 79701)
P.O. Box 10187
Midland, Texas 79702

CAPSTONE OIL & GAS COMPANY, L.P.
Exploration and Development

Area Code: 432
Phone : 682-5565
Fax: 682-4498
E-Mail: mark@capstoneoil.com

June 16, 2006

Pitch Energy Corporation
P.O. Box 227
Artesia, NM 88211-0227

Attention: Mr. Ross Duncan

Re: JOA for Orleans "25" #1
E/2 Section 25-T18S-R26E, NMPM
Orleans Prospect
Eddy County, New Mexico

Dear Ross:

Pursuant to Pitch Energy Corporation's election to participate in the drilling of the captioned well, enclosed for your review and execution is a Joint Operating Agreement.

Please execute and forward one (1) of the enclosed signature pages to the undersigned at your earliest convenience.

Please contact me at the number below if you have any questions.

Sincerely,

Jim Stone
(281) 413-2125

xc: Dale Douglas

203 West Wall Street
Suite 1201 (Zip 79701)
P.O. Box 10187
Midland, Texas 79702

CAPSTONE OIL & GAS COMPANY, L.P.
Exploration and Development

Area Code: 432
Phone: 682-5565
Fax: 682-4498
E-Mail: mark@capstoneoil.com

June 16, 2006

Devon Energy Production Company, L. P.
20 North Broadway
Oklahoma City, OK 73102-8360
Attn: Ms. Meg Muhlinghause

Re: JOA for Orleans "25" #1
E/2 Section 25-T18S-R26E, NMPM
Orleans Prospect
Eddy County, New Mexico

Dear Ms. Muhlinghause:

Pursuant to Devon's election to participate in the drilling of the captioned well, enclosed for your review and execution is a Joint Operating Agreement.

Please execute and forward one (1) of the enclosed signature pages to the undersigned at your earliest convenience.

Please contact me at the number below if you have any questions.

Sincerely,

Jim Stone
(281) 413-2125

xc: Dale Douglas