Eschelon Energy Partners
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December 21, 2011

Dear Investors, Colleagues, and Friends:

Re: Eschelon Energy Partners Update

Since our last letter in February 2010, Eschelon Energy Partners ("EEP") wanted to update you on our progress. Overall macroeconomic conditions in the energy industry have been challenging and volatile. Therefore, finding high quality management teams with appropriately priced opportunities that can navigate these waters, a weak but improving domestic economy, and worldwide political and environmental issues remains the challenge. Once made, such investments must be actively monitored and managed given that the rebound in oil prices since 2009 has been offset by significant weakness in domestic natural gas prices and European financial market stress.

With this in mind, EEP has focused its efforts on seeking out such opportunities while aggressively managing its current portfolio. Updates, by company are:

Chroma Exploration & Production: a new management team led by Scott Josey started at the company in September. The team had a very successful run building and selling Mariner Energy to Apache. The key asset for Chroma is the Vaquillas Ranch field in the Lobo trend of South Texas.

Milagro Exploration: all company debt was successfully refinanced in May 2011 with the issuance of $250m in notes and completion of a new bank revolving credit agreement. Management is executing on its low risk development, exploitation, and acquisition strategy to build low cost reserves and production.

Passenger Energy Partners: continues to pursue non-operated oil and gas exploration and production interests in Sub-Saharan Africa.

Pine Brook Texas: the fund is doing very well with the sale of Phoenix, a Gulf Coast producer, to Apache, and Global Oilfield Services, focused on lift systems for oil production, to Halliburton.

Saber Oil and Gas Ventures: company is building a base of Permian Basin oil and gas production with the expectation that it will test the asset market for its properties in 2012.

Strand Energy: company has successfully monetized at excellent gains most of its position in the Eagle Ford shale. Drilling programs in 2011 for oil prospects also added significant reserves and production. The stock in this company is owned by Eschelon's Managing Partner.

For future updates and information on EEP do access the web site at www.eschelonenergypartners.com or reach me at the contact data listed above or at tsg@eschelonenergypartners.com. We continue our efforts to build a premier source of private equity capital for small capitalization energy companies in North America and provide our investors with first quartile returns. We also look forward to contacting you in the near future as new investment opportunities mature and are ready for review and funding. Prominent among these opportunities will be a feeder fund for Pine Brook for its second fund. To date Eschelon's first feeder fund for this firm has a 28% IRR and a 1.6x return.

Eschelon believes that current financial and energy industry conditions are not favorable for monetization of companies in its portfolio. Natural gas prices are the lowest in half a decade, with the December 2011 NYMEX contract going off the screen last month at less than $3.40 per mcf. While much stronger oil prices give more hope for a successful sale at an oil production and reserve company such as Saber, this market is volatile and uncertain. What gives your General Partner more confidence is continued significant growth in Chinese and developing world energy demand and moves to increase demand for domestic natural gas. Those latter moves include increased gas consumption from power generation, vehicles, and LNG exports. These trends should be positive for the portfolio value as will tightness in worldwide oil supplies. A recent investment bank study chronicled that of the 20 major oilfield finds of the past decade, the average peak rate was only 75 percent of projection, and this rate was achieved, on average, one year later than forecast.

Thank you for your support of and interest in EEP.

Sincerely yours,

Thomas S. Glanville
Managing Partner