

Eschelon Energy Partners
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May 26, 2007

Dear Investors, Colleagues, and Friends:

Re: Eschelon Energy Partners Update

It has been a very active 2006 and first five months of 2007 for Eschelon Energy Partners ("EEP") so we wanted to provide an update on our activities. While overall macroeconomic conditions remain very favorable throughout the energy industry, finding high quality management teams with appropriately priced opportunities remains the challenge. Once made, such investments must be actively managed given industry wide cost increases and quality of service issues.

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

Saber Resources: as the result of a review of strategic alternatives started in the second quarter of 2006, Saber closed in November, 2006 a transaction with Lehman Brothers whereby Lehman contributed Permian Basin oil properties plus cash to Saber in return for a 43% interest in the company going forward. In addition, it provided a line of credit to Saber to assist in the further development of the company's properties. As a result of this transaction, Saber made a return of 50% of invested capital to shareholders. Lehman paid a 1.93 multiple of the initial valuation to Eschelon and the other shareholders for its interest in Saber.

Going forward Saber plans to grow its production and is currently running five workover rigs in its core areas of the basin. Opportunistic acquisitions in these areas are being pursued and consummated as of this date. Upon reaching targeted levels of development on its current properties Saber management and board will thoroughly review the company's strategic options, including continued growth or sale.

Milagro Exploration: the team has had significant success with the drill bit in the last 12 months and has grown production to over 4 million cubic feet of gas per day in the 1Q2007. Bob Cavnar, CEO, was also pleased to report a profitable 1Q2007 on the basis of this growth in production. Company strategy remains focused on exploration, development, production and acquisition of deep gas reserves in the onshore Gulf of Mexico regions of Texas and Louisiana. Eschelon Milagro investors will be receiving the audited 2006 financials for Milagro, their individual K-1s, unaudited 1Q2007 statements, and the Eschelon Milagro 2006 compilation in the next week.

Chroma Exploration and Production, Inc.: Chroma completed a \$50m Series AA preferred stock financing in April, 2007 allowing it to retire all its debt and provide additional capital for execution of the company's business plan. Eschelon, through a new partnership, participated in the offering. Chroma recently hit its highest daily level of production in its history and is targeting to continue this ramp up in production and cash flow for the balance of 2007. A focus of this program is the successful completion of development activity on its Texas state waters properties.

Itron, Inc.: reflecting a very strong core business and a series of smart acquisitions, Itron stock(NASDAQ "ITRI") is up 70% since year end 2005. With the completion of its acquisition of Actaris in April 2007 for \$1.7 billion, Itron is now one of the world's largest electricity, gas, and water meter manufacturing companies. The acquisition will allow Actaris to offer its customers, mainly in Europe but also in Asia, Africa, and South America, Itron's world leading electric meter and automatic meter reading technology and software and systems. The combined company will have more than 8,000 utility customers, 33 manufacturing facilities, 8,500 employees, and customers in 60 countries

For future updates 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.

Thank you for your support of and interest in EEP.

Sincerely yours,

Thomas S. Glanville
Managing Partner