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BP America Production Co. P.O. Box 3092
North American Gas - San Juan Houston, TX 77253-3092
281-366-2761 (direct) 501 West Lake Park Blvd.
281-366-0700 (fax) Houston, TX 77079

February 3, 2011

Gallegos Canyon Unit
Working Interest Owners
(See attached Address List)

RE: 2011 Plan of Development
Gallegos Canyon Unit
San Juan County, New Mexico

Ladies and Gentlemen:

Please find enclosed the 2011 Plan of Development, which has been prepared by BP America Production Company as Unit Operator for the Gallegos Canyon Unit.

It is BP's intention to submit the attached 2011 Plan of Development to the Bureau of Land Management and State of New Mexico agencies. Please advise BP of any comments or suggestions regarding the Plan of Development. If BP has not been contacted by February 24, 2011 we will assume you have no objections and will file the Plan of Development.

If you have any questions or need any additional information please do not hesitate to contact me at 281-366-2761.

Sincerely,

A handwritten signature in black ink that reads "Craig A. Carley".
Craig A. Carley
Land Negotiator

enclosures

GALLEGOS CANYON UNIT

Chase Oil Corporation
Attn: Land – Oil & Gas
P.O. Box 1767
Artesia, NM 88211-1767

Dugan Production Corporation
Skip Fraker – Land Mgr.
P.O. Box 420
Farmington, NM 87499-0420

Mina Ruth Fitting
3910 Edgebrook Court
Midland, TX 79707-1434

Four Star Oil & Gas
c/o Chevron USA Inc.
Attn: NOJV Manager
11111 South Wilcrest
Houston, TX 77099

Johnson Family Royalty Trust
Theodore A Johnson Successor Trustee
5318 East 2nd Street #341
Long Beach, CA 90803-5354

Maryan Klinger Revocable Trust
Robert W Klinger Successor Trustee
1788 Monty Court
Stockton, CA 95207

Production Gathering Company
8080 North Central Expressway – Ste 100
Dallas, TX 75206

Ricky D. Raindl
P.O. Box 11234
Midland, TX 79702

Mary E. Nevitt
3412 Riverbend Road
Muskogee, OK 74403-2337

Transrepublic Resources Inc.
P.O. Box 3638
Midland, TX 79702-3638

ConocoPhillips Company
Terry Ruby – Land Mgr.
P.O. Box 4289
Farmington, NM 87499-4289

Energen Resources Corporation
David Poage – Dist. Landman
2010 Afton Place
Farmington, NM 87401-1601

Robert D Fitting Trust
Janet Barr Fitting, Trustee
P.O. Box 50582
Midland, TX 79710-0582

Richard M. Fulsaaas
1417 W. Kiernan Ave.
Spokane, WA 99205-2640

Kalvestrand Family 1997 Trust
3453 Toro Way
Redding, CA 96002-9763

B Charles Rogers Gas Ltd.
500 West Texas, Suite 1420
Midland, TX 79701

R M Energy LLC
P. O. Box 831
Casper, WY 82602

Paul Slayton
P.O Box 2035
Roswell, NM 88202-2035

Patrick Hegarty
Synergy Operating LLC
P.O. Box 5513
Farmington, NM 87499

Robert Umbach Cancer Foundation
Wells Fargo Bank, Agent
P.O. Box 5383
Denver, CO 80217

George Umbach
Bank of Oklahoma, Agent
P.O. Box 3499
Tulsa, OK 74101

Bright Rock Partners, LLC
5956 Sherry Land, Suite 1221
Dallas, TX 75225

State of New Mexico
Commissioner of Public Lands
P.O. Box 1148
Santa Fe, NM 87504-1148

Joan Matthews
5329 Santa Teresa
El Paso, TX 79932

Bureau of Land Management
Farmington District Office
Attn: Mr. Jim Lovato
1235 La Plata Highway, Suite A
Farmington, NM 87401

State of New Mexico, Energy,
Minerals and Natural Resources
Attn: Lori Wrotenbery
1220 South St. Francis Drive
Santa Fe, NM 87505

Las Colinas Minerals
125E. John Carpenter Fwy., Ste600
Irving, TX 75062

MHT Properties, Ltd.
30840 Windsor Lane
Dallas, TX 75205

McLondon Energy, LP
P.O. Box 14230
Odessa, TX 79768

Review of 2010 Operations

Shown in Table I are the cumulative volumes of gas and condensate produced from each reservoir in the Gallegos Canyon Unit. Table II summarizes the well status in each horizon. Because Gallegos Canyon Unit has many downhole commingled wells (i.e., producing from more than one formation), Table II reflects active completions rather than wellbores. Historical production graphs for each horizon are attached at the end of this document.

TABLE I
Cumulative Production as of 07/31/2010

FORMATION	GAS (MMCF)	CONDENSATE (MBLS)
Farmington Sands	622	0
Fruitland Sands	16,004	0
Fruitland Coal	57,313	0
Pictured Cliffs	208,986	5
Chacra	1,357	6
Gallup	9,239	1,988
Dakota	480,722	3,560

TABLE II
Production Status by Formation as of 07/31/2010

FORMATION	ACTIVE	INACTIVE
Farmington Sands	3	0
Fruitland Sands	34	1
Fruitland Coal	82	1
Pictured Cliffs	135	2
Chacra	6	0
Gallup	7	0
Dakota	177	2

2010 GCU Development

Table III below shows the status of each of the proposed activities from the 2010 GCU Plan of Development. As of 12/31/2010, zero new wells have been drilled and zero wells have been recompleted. The main reason for suspending drilling and recompletion activity in GCU is the weak economic environment. The main activity during 2010 was the plugging and abandonment of wells for different reasons, such as low productivity of wells in highly depleted zones or the high cost of repair of mechanical problems with limited remaining potential. GCU has been rigorously evaluated to create a hopper of new and economically viable options to execute. In 2011, BP expects to perform five recompletions of existing Dakota wells into the Gallup formation.

TABLE III
2010 Plug and Abandon Candidates

WELL NO.	DEDICATION	CURRENT HORIZON	STATUS
GCU 316	Unit I Sec 21 T28N R12W	PC	PxA 02/02/10
GCU 338	NE/4 Sec 09 T27N R12W	FC	PxA 02/10/10
GCU 169	Unit I Sec 35 T29N R12W	DK	PxA 03/04/10
GCU 562	Unit F Sec 22 T29N R12W	FC	PxA 04/14/10
GCU 292 (*)	Unit F Sec 30 T29N R12W	PC	PxA 09/12/10
GCU 76	Unit N Sec 23 T28N R12W	FT	PxA 09/14/10
GCU 59 (*)	Unit M Sec 31 T28N R11W	FT	PxA 09/21/10
GCU 412 (*)	Unit M Sec 12 T28N R12W	FT / PC	PxA 09/27/10
GCU 36 (*)	Unit H Sec 19 T28N R12W	FT	PxA 11/30/10
GCU 184	Unit A Sec 28 T28N R12W	DK	Potential PXA for 2011
GCU 289	Unit N Sec 08 T28N R12W	PC	Potential PXA for 2011
GCU 20	Unit M Sec 17 T28N R12W	FC	Potential PXA for 2011
GCU 159E	Unit L Sec 31 T28N R12W	DK	Potential PXA for 2011

(*) Not originally a 2010 PxA Candidate

2011 Plan of Development

Following the successful production results from the Gallup recompletion in GCU 265E, BP America will continue to develop the Gallup horizon within the Gallegos Canyon Unit through uphole recompletions or commingling with existing Dakota completions. In total, BP plans to recomplete five existing Dakota completions into the Gallup formation in both the Simpson/Kutz pool (3 wells) and in the Pinon pool (2 wells) during 2011. As part of the reservoir management process, BP will evaluate in detail the results of these five recompletions and expects to generate a hopper of opportunities for the future development of the Gallup horizon in GCU. There are no planned drilling activities for 2011.

Table IV below shows a list of planned Gallup completions for 2011.

TABLE IV
2011 Development Projects

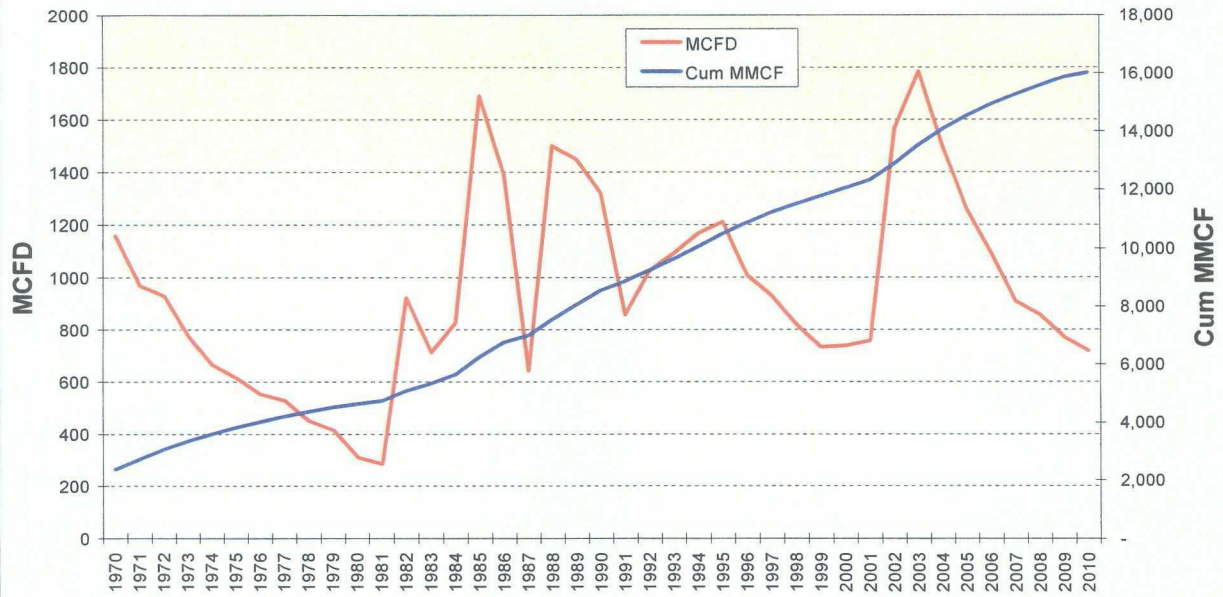
WELL NO.	DEDICATION	TYPE	OBJECTIVE	PERMIT
GCU 212	Unit K Sec 32 T29N R12W	Recomplete from DK	Gallup	Waiting on Permit
GCU 265	Unit P Sec 25 T28N R12W	Recomplete from DK	Gallup	Waiting on Permit
GCU 245	Unit E Sec 36 T28N R12W	Commingled DK with Gallup	DK+Gallup	Waiting on Permit
GCU 208	Unit H Sec 15 T28N R12W	Commingled DK with Gallup	DK+Gallup	Waiting on Permit
GCU 244E	Unit M Sec 36 T28N R12W	Recomplete from DK	Gallup	Approved by NMOCD

Table V below shows a list of completions are planned to be plugged and abandoned during 2011.

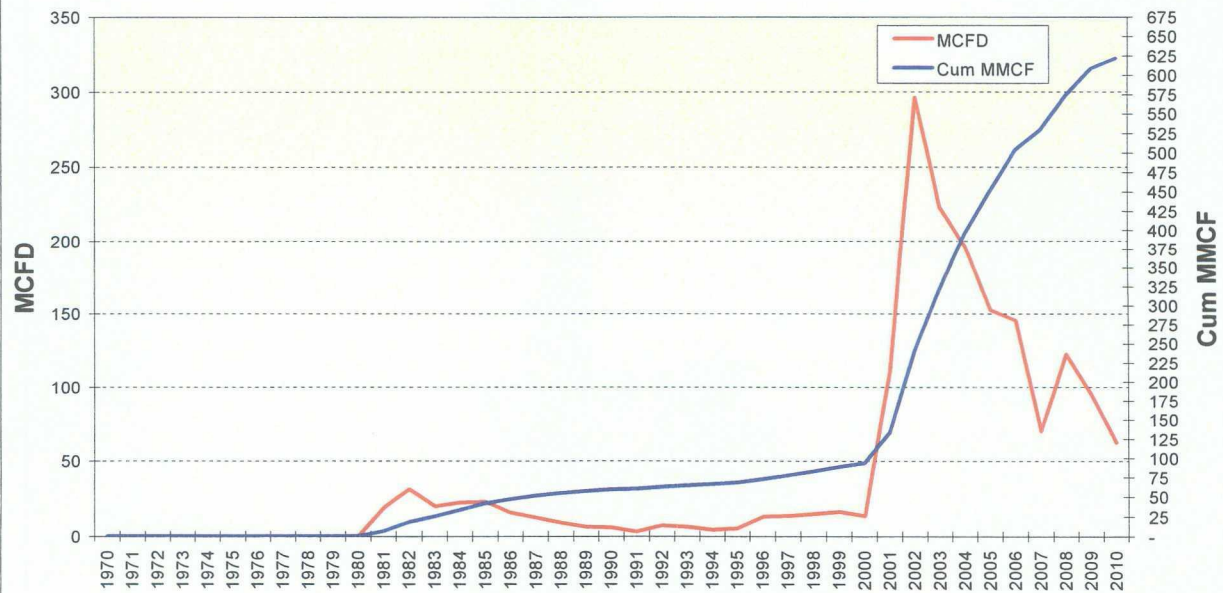
TABLE V
2011 Plug and Abandon Candidates

WELL NO.	DEDICATION	CURRENT HORIZON	OTHER PRODUCED OR TESTED HORIZONS
GCU 184	Unit A Sec 28 T28N R12W	DK	
GCU 289	Unit N Sec 08 T28N R12W	PC	
GCU 20	Unit M Sec 17 T28N R12W	FC	PC (P&A'd 1987)
GCU 159E	Unit L Sec 31 T28N R12W	DK	
GCU 63	Unit G Sec 05 T27N R12W	FC	PC (P&A'd 1988)
GCU 322	Unit H Sec 31 T29N R12W	PC	
GCU 190E	Unit K Sec 32 T28N R12W	DK	
GCU 234	Unit A Sec 14 T28N R13W	PC	DK (P&A'd 1995)
GCU 151	Unit G Sec 21 T29N R12W	DK	
GCU 326	Unit F Sec 36 T29N R13W	FC	PC (P&A'd 2000)
GCU 214	Unit B Sec 16 T28N R12W	DK	
GCU 336	Unit A Sec 24 T28N R12W	PC	
GCU 394	Unit N Sec 30 T29N R12W	FC	

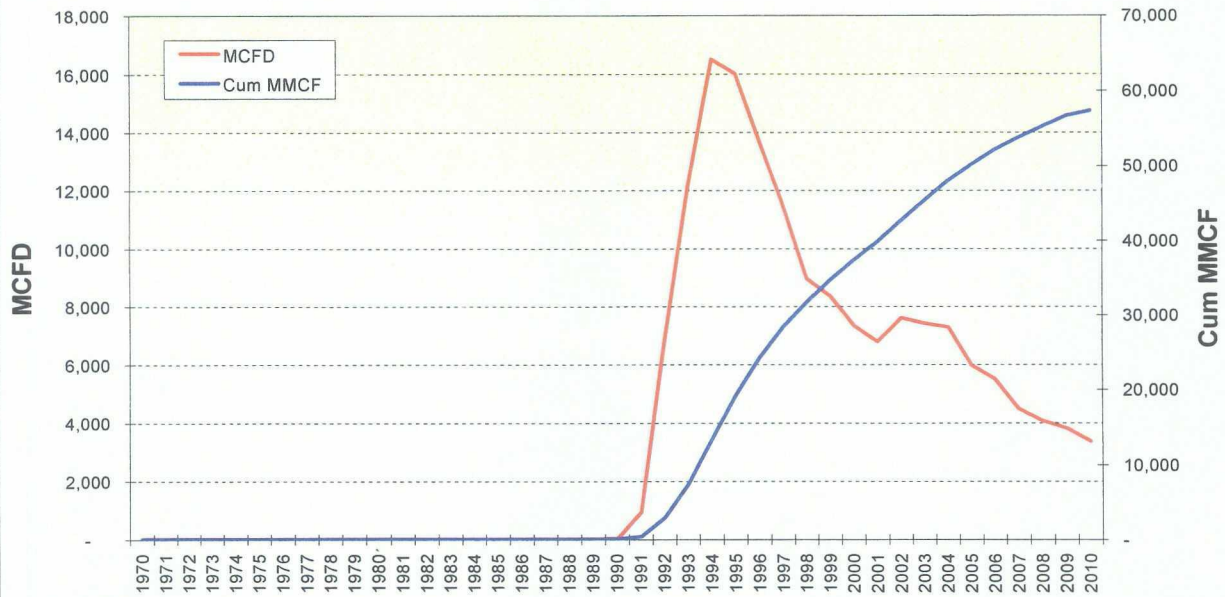
**Historical Production
Gallegos Canyon Unit
Fruitland Sands Formation**



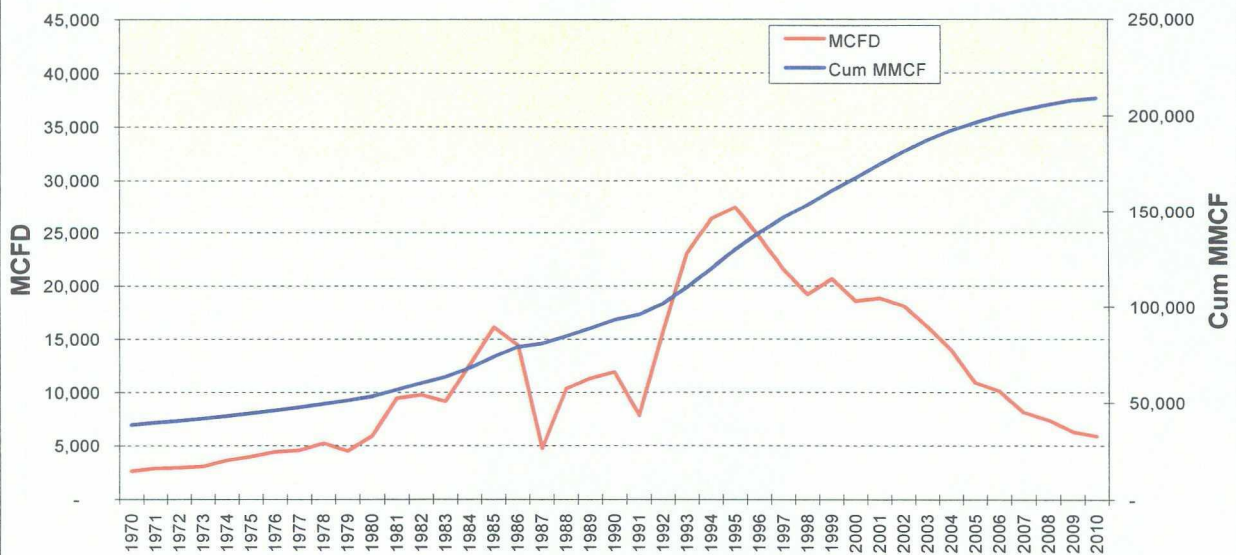
**Historical Production
Gallegos Canyon Unit
Farmington Sands Formation**



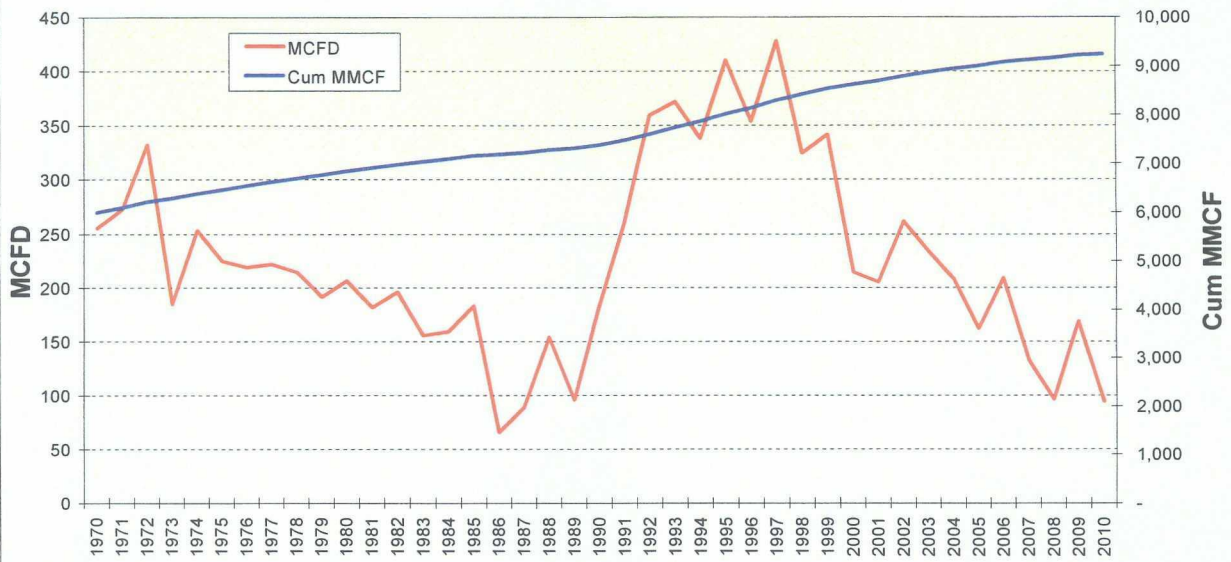
**Historical Production
Gallegos Canyon Unit
Fruitland Coal Formation**



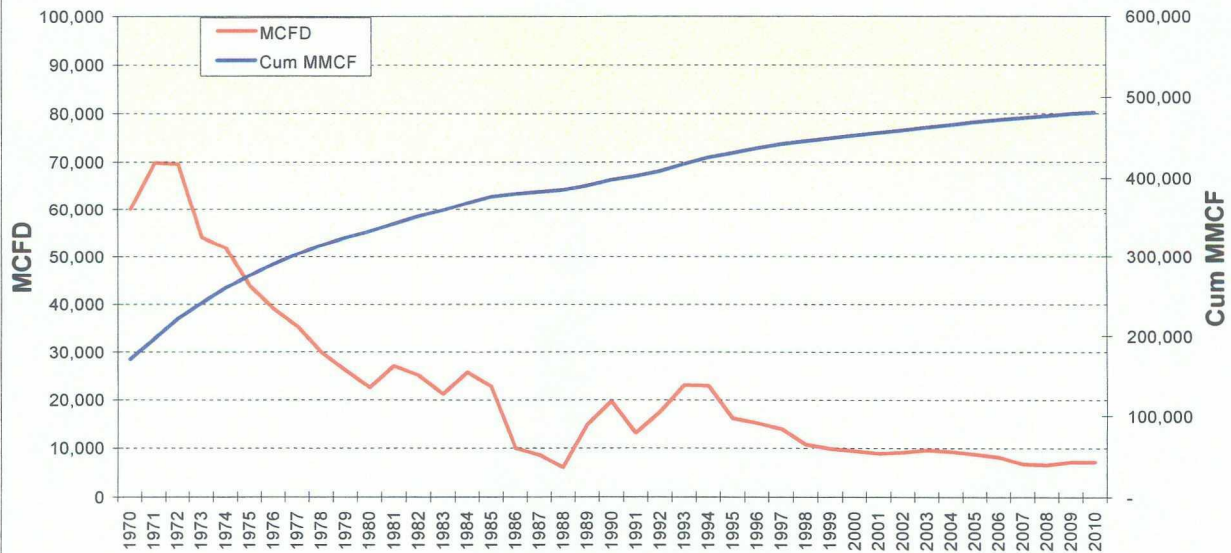
**Historical Production
Gallegos Canyon Unit
Pictured Cliffs Formation**



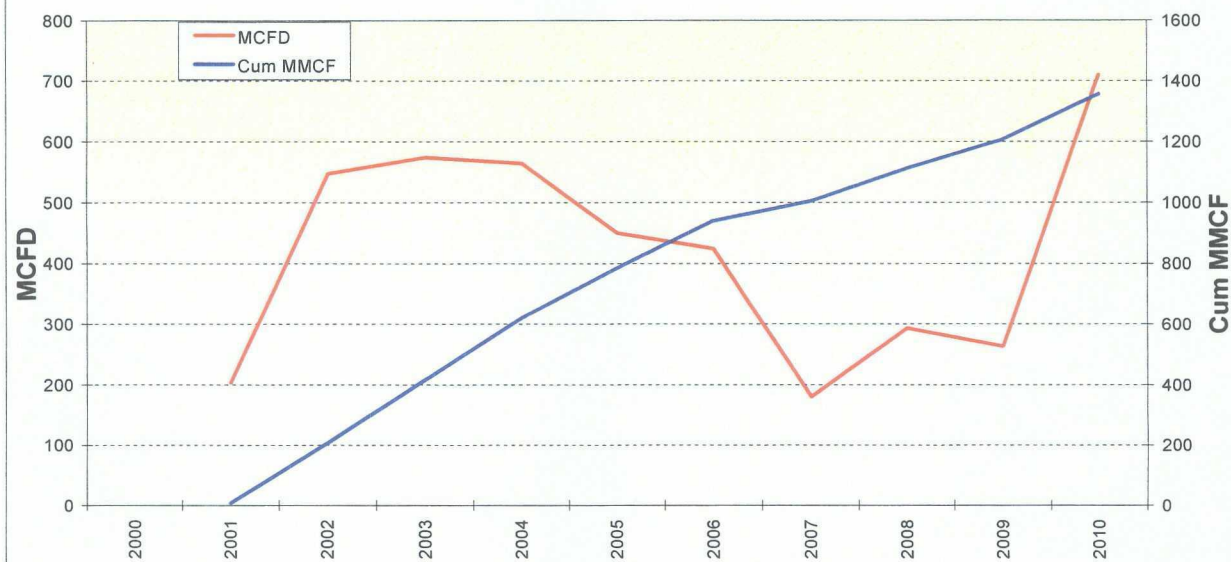
**Historical Production
Gallegos Canyon Unit
Gallup Formation**



**Historical Production
Gallegos Canyon Unit
Dakota Formation**



**Historical Production
Gallegos Canyon Unit
Chacra Formation**



	Fruitland Sand [Pulled 2009 & 2010 12-14-10]			Farmington [Pulled 2009 & 2010 12-14-10]			Fruitland Coal [Pulled 2009 & 2010 12-14-10]		
	MCF	MCFD	Cum MMCF	MCF	MCFD	Cum MMCF	MCF	MCFD	Cum MMCF
Pre-70	1,954,380		1,954				15,287		15
1970	421,842		1,156						15
1971	352,593		966						15
1972	338,389		927						15
1973	281,816		772						15
1974	241,834		663						15
1975	223,452		612						15
1976	200,454		549						15
1977	191,668		525						15
1978	163,601		448						15
1979	150,652		413						15
1980	112,369		308						15
1981	102,972		282	6,822		19			15
1982	335,753		920	11,256		31			15
1983	258,817		709	7,110		19			15
1984	300,111		822	8,052		22			15
1985	616,461		1,689	8,220		23			15
1986	506,705		1,388	5,643		15			15
1987	233,206		639	4,438		12			15
1988	546,887		1,498	3,231		9			15
1989	528,369		1,448	2,226		6			15
1990	481,455		1,319	2,077		6			15
1991	311,993		855	1,002		3	5,354	15	21
1992	373,790		1,024	2,471		7	338,964	929	360
1993	397,986		1,090	2,239		6	2,512,356	6,883	2,872
1994	425,470		1,166	1,510		4	4,455,745	12,208	7,328
1995	440,904		1,208	1,877		5	6,015,433	16,481	13,343
1996	367,242		1,006	4,648		13	5,838,946	15,997	19,182
1997	338,612		928	4,897		13	4,990,725	13,673	24,173
1998	298,375		817	5,323		15	4,177,686	11,446	28,350
1999	266,631		730	5,834		16	3,268,728	8,955	31,619
2000	268,242		735	4,869		13	3,042,401	8,335	34,662
2001	275,701		755	4,052		11	2,672,713	7,323	37,334
2002	570,315		1,563	107,979		296	2,467,782	6,761	39,802
2003	650,157		1,781	81,210		222	2,770,359	7,590	42,572
2004	544,857		1,493	71,622		196	2,700,274	7,398	45,273
2005	457,764		1,254	55,585		152	2,655,560	7,276	47,928
2006	397,879		1,090	53,001		145	2,175,195	5,959	50,104
2007	330,791		906	25,514		70	2,001,826	5,484	52,105
2008	311,537		854	44,607		122	1,629,639	4,465	53,735
2009	280,097		767	34,592		95	1,479,125	4,052	55,214
THRU JULY 2010	151,628		715	13,168		62	1,388,416	3,804	56,603
	16,003,757			621,605			710,240	3,350	57,313

	Pictured Cliffs [Pulled 2009 & 2010 12-14-10]				Gallup [Pulled 2009 & 2010 12-14-10]			
	BO	CUM MBO	MCF	Cum MMCF	BO	BOPD	MCF	Cum MMCF
Pre-70								
1970		-	37,491,422	37,491	1,610,177	126	5,898,438	5,898
1971		-	943,709	2,566	46,058	92	92,973	5,991
1972		-	1,034,632	2,835	34,902	96	99,385	6,091
1973		-	1,059,048	2,902	20,796	57	121,034	6,212
1974		-	1,100,306	3,015	13,658	37	67,292	6,279
1975		-	1,310,401	3,590	14,580	40	92,293	6,371
1976		-	1,435,831	3,934	14,475	40	81,870	6,453
1977		-	1,599,650	4,383	13,554	37	79,700	6,533
1978		-	1,651,193	4,524	12,282	34	80,880	6,614
1979		-	1,888,464	5,174	11,700	32	78,137	6,692
1980		-	1,626,471	4,456	10,882	30	69,736	6,762
1981		-	2,136,117	5,852	9,582	26	75,193	6,837
1982		-	3,429,886	9,397	9,616	26	66,153	6,903
1983		-	3,540,909	9,701	9,450	26	71,376	6,974
1984		-	3,325,643	9,111	9,926	27	56,586	7,031
1985		-	4,587,689	12,569	10,903	30	57,981	7,089
1986		-	5,867,019	16,074	8,200	22	66,666	7,156
1987		-	5,248,874	14,380	8,565	18	23,668	7,179
1988		-	1,713,913	4,696	6,535	18	32,197	7,212
1989	4,259	12	3,760,611	10,303	9,904	27	56,000	7,268
1990		-	4,111,533	11,264	5,794	16	34,723	7,302
1991		-	4,330,886	11,865	8,331	23	66,462	7,369
1992		-	2,834,298	7,765	8,191	22	94,806	7,464
1993		-	5,738,887	15,723	10,737	29	130,956	7,595
1994		-	8,418,768	23,065	9,505	26	135,516	7,730
1995		-	9,583,068	26,255	7,343	20	123,202	7,853
1996		-	27,401	27,401	8,941	24	149,563	8,003
1997		-	10,001,354	26,201	7,547	21	128,882	8,132
1998	42	0	8,941,012	24,496	7,932	22	156,012	8,288
1999		-	7,840,701	21,481	6,217	17	118,175	8,406
2000		-	6,967,436	19,089	5,710	16	124,538	8,530
2001		-	6,749,962	18,493	4,620	13	78,180	8,609
2002	2	0	8,553,634	18,777	2,421	7	74,735	8,683
2003	10	0	6,594,850	18,068	1,418	4	95,328	8,779
2004	53	0	5,887,930	16,131	1,651	5	85,165	8,864
2005	96	0	5,094,244	13,957	1,279	4	75,762	8,940
2006	133	0	3,964,433	10,861	1,191	3	58,944	8,999
2007	245	1	3,673,171	10,063	1,967	5	76,125	9,075
2008	113	0	2,942,287	8,061	1,292	4	48,275	9,123
2009	10	0	2,673,462	7,325	698	2	34,989	9,158
2010	1	0	2,281,315	6,250	1,114	2	61,434	9,219
	1	0	1,233,978	5,821	355	2	19,836	9,239
	4,965		208,985,899		1,987,999		9,239,166	
THRU JULY 2010								

	Dakota [Pulled 2009 & 2010 12-14-10]					Chacra [Pulled 2009 & 2010 12-14-10]				
	BO	BOPD	CUM MBO	MCF	Cum MMCF	BO	BOPD	CUM MBO	MCF	Cum MMCF
Pre-70	1,592,943		1,593	148,975,480	148,975					
1970	176,917	485	1,770	21,884,136	59,957					
1971	165,157	452	1,935	25,449,184	69,724					
1972	137,866	378	2,073	25,363,343	69,489					
1973	105,077	288	2,178	19,675,244	53,905					
1974	96,504	264	2,274	18,866,872	51,690					
1975	79,618	218	2,354	15,926,730	43,635					
1976	72,558	199	2,427	14,223,501	38,968					
1977	62,272	171	2,489	12,881,644	35,292					
1978	54,632	150	2,544	10,880,231	29,809					
1979	46,833	128	2,590	9,504,114	26,039					
1980	41,155	113	2,632	8,203,558	22,476					
1981	57,984	159	2,689	9,855,726	27,002					
1982	60,782	167	2,750	9,114,054	24,970					
1983	53,646	147	2,804	7,690,932	21,071					
1984	56,998	156	2,861	9,367,925	25,666					
1985	50,568	139	2,911	8,289,097	22,710					
1986	21,086	58	2,933	3,590,191	9,836					
1987	15,138	41	2,948	3,089,509	8,464					
1988	23,482	64	2,971	2,156,673	5,909					
1989	40,929	112	3,012	5,395,501	14,782					
1990	47,693	131	3,060	7,148,891	19,586					
1991	29,000	79	3,089	4,733,594	12,969					
1992	42,268	116	3,131	6,354,870	17,411					
1993	50,773	139	3,182	8,376,068	22,948					
1994	42,030	115	3,224	8,336,612	22,840					
1995	41,804	115	3,266	5,847,044	16,019					
1996	30,747	84	3,296	5,489,965	15,041					
1997	28,461	78	3,325	5,050,458	13,837					
1998	21,170	58	3,346	3,858,146	10,570					
1999	21,772	60	3,368	3,557,736	9,747					
2000	20,523	56	3,388	3,404,438	9,327					
2001	23,269	64	3,412	3,184,521	8,725					
2002	22,767	62	3,434	3,280,269	8,987					
2003	22,007	60	3,456	3,444,754	9,438					
2004	20,821	57	3,477	3,331,990	9,129					
2005	17,318	47	3,495	3,129,429	8,574					
2006	15,905	44	3,510	2,926,052	8,017					
2007	14,014	38	3,524	2,427,125	6,650					
2008	11,669	32	3,536	2,368,359	6,489					
2009	15,279	42	3,551	2,589,172	7,094					
THRU JULY 2010	8,952	42	3,560	1,498,730	7,069					
	3,560,367			480,721,868	480,722					
						6,199				
						1,872	5.1		6,261	202
						1,226	3.4	1.9	199,274	546
						841	2.3	3.1	209,213	573
						473	1.3	3.9	205,580	563
						453	1	4.4	163,920	449
						213	1	4.87	154,476	423
						519	1	5.08	65,276	179
						311	1	5.60	106,676	292
						291	1	5.91	95,669	262
							1	6.20	150,310	709
									1,356,655	
										6
										206
										415
										620
										784
										939
										1,004
										1,111
										1,206
										1,357