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BP America Production Co.
North American Gas - San Juan
281-366-2761 (direct)
281-366-0700 (fax)

P.O. Box 3092
Houston, TX 77253-3092
501 West Lake Park Blvd.
Houston, TX 77079

October 11, 2012

Bureau of Land Management
Farmington Resource Area
Attn: Mr. Wayne Townsend
6251 N. College Blvd, Suite A
Farmington, NM 87402

State of New Mexico
Commissioner of Public Lands
Attn: Mr. Pete Martinez
P.O. Box 1148
Santa Fe, NM 87504-1148

New Mexico Oil Conversation Division
Energy Minerals & Natural Resources
Attn: Ms. Lori Wrotenbery
1220 S. Saint Francis Drive
Santa Fe, NM 87505-4000

RE: Gallegos Canyon Unit #212 Well (30-045-11650)
Commerciality Determination
Recompletion to the Basin Mancos (Gallup)
San Juan County, New Mexico

Gentlemen:

Pursuant to Section 10 of the Gallegos Canyon Unit Agreement, approved November 1, 1950, BP America Production Company ("BP"), , as Operator of said Unit, has determined that the recompleted well listed below is capable of producing unitized substances in paying quantities from the Basin Mancos formation. BP is requesting confirmation of the paying well determination enclosed.

Well Name	Dedication	Lease No.	Re-Completion	Determination
GCU #212	S/2 32-29N-12W	ST-NM E-5462-5 ST-NM E-2447-1 ST-NM E-11318-37 ST-NM E-2754-2 ST-NM B-10405-82 ST-NM B-10405-62	1/9/12	Commercial

Upon receipt of response from the Bureau of Land Management and concurring responses from the Commissioner of Public Lands and New Mexico Oil Conservation Division, the formal Participating Area Schedules will be prepared and submitted.

Copies of this letter and enclosures are being sent to the working interest owners as listed on the attached page. For any questions concerning this letter, please contact the undersigned at (281)-366-2761.

Sincerely,

Craig A Carley

Craig A. Carley
Sr. Land Negotiator – San Juan

attachments

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: Cory Wilson
1400 Smith Street
Houston, TX 77002

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. Fulsaas
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

GCU 212 POST-APPRAISAL

Results:
IRR = 40.29%
ATNPV = $1097.59M at 9%
Undiscounted Payout = 2.42 Years

Notes:

1. ACTUAL gas production and condensate (oil) production rates are used for the period from April through August 2012.

2. Even though gas rates have been INCREASING since well was placed on production in April 2012, the post-appraisal assumes decline begins IMMEDIATELY. Decline rate used is about 13%/year, which parallels the exponential decline used in the original forecast. Resulting cumulative wet gas production to 16 MCFD is 507.37 MMCF (gross). The 16 MCFD limit is reached in November 2030. Note that this is somewhat less than the 719 MMCF (gross) wet gas cumulative in the original economics.

3. Condensate yields have been higher than original prediction but are now declining to the range of the original prediction. Future condensate yields were tied to the original values and multiplied by the new gas rate prediction to generate future condensate rates.

4. NGL yield was fixed at 140 bbl/MMCF, as in the original economic runs.

5. Actual Capex costs (including OH) were used ($1,473M gross, subdivided into $1,208M intangible and $265M tangible).

6. Heat content used was 1,000 BTU. WI= 90.63%, NRI = 78.19%. Shrinkage = 28%.

7. Gas price = $5.00/mmbtu with Offset = $0.38/mmbtu and Commercial Adjustment = $0.45/mmbtu
   Condensate price = $76.50/bbl with Offset = $7.50/bbl
   NGL price = $42.95/bbl with Offset = $3.56/bbl and Commercial Adjustment = $4.00/bbl

Key Indicators Report

GCU 212 Gallup Post Appraisal -- Sept 2012

Nominal

Case Description

Author	Herschel Waller
Model	BP Houston
Global Parm	Default
Discount Date	2012/01
Case Currency	U.S. Dollar
State	New Mexico

Economic and Financial Indicators

IRR (Multi roots) (%)	40.29	ATNPV	Max exp
NPV@7.00%/NPCe (Capital Efficiency)	0.99	1,271	-1,278
NPV@9.00%/NPCe (Capital Efficiency)	0.86	1,098	-1,276
		UnDisc	-1,286
Undiscounted Payout (Years)	2.42		
Discounted Payout7.00% (Years)	2.67		
Economic Limit Date	2030/11		
Financial Book Net Income($M)	2,197.92		
Financial Book DD&A ($M)	1,334.98		

Net Present Values:

Discount Rate (%)	Before Tax Cash Flow M$	After Tax Cash Flow M$
Undisc	3,376.89	2,197.92
7.00	2,016.91	1,270.96
9.00	1,765.66	1,097.59
10.00	1,654.87	1,020.85
13.00	1,370.01	822.55
15.00	1,212.13	711.97

Company Working Interests

	Initial %	Final %
Working	90.630	90.630
Oil NRI	78.190	78.190
Gas NRI	78.190	78.190
Byprod. NRI	78.190	78.190
Other	90.630	90.630
Capital	90.630	90.630
Royalty	13.726	13.726

Average Prices:

Oil Price	0.00	$ / bbl	Cond Price	76.50	$ / bbl
Oil Price Offset 1	0.00	$ / bbl	Cond Price Offset1	0.00	$ / bbl
Oil Price Offset 2	0.00	$ / bbl	Cond Price Offset2	7.50	$ / bbl
Gas 1 Price	5.00	$ / mmbtu	Net Propane Price	35.39	$ / bbl
Gas 1 Price Offset 1	0.38	$ / mmbtu	Net Butane Price	0.00	$ / bbl
Gas 1 Price Offset 2	0.45	$ / mmbtu	Net Ethane Price	0.00	$ / bbl
			Net Sulfur Price	0.00	$ / bbl
Gas 2 Price	0.00	$ / mmbtu	Net Other Price	0.00	$ / bbl
Gas 2 Price Offset 1	0.00	$ / mmbtu			
Gas 2 Price Offset 2	0.00	$ / mmbtu			

Capital Expenditures

	Gross, M$	BP Net, M$
Purchase Cost	0.00	0.00
Lease Bonus	0.00	0.00
G&G	0.00	0.00
Exploration Drilling	0.00	0.00
Appraisal Drilling	0.00	0.00
Dev / Prod Drilling	0.00	0.00
Recompletions	0.00	0.00
Facilities	1,473.00	1,334.98
Other (Incl Proj Mgmt)	0.00	0.00
Export Pipelines	0.00	0.00
Repairs / Interventions	0.00	0.00
Sub Total CapEx	1,473.00	1,334.98
Capitalized Overhead	0.00	0.00
Total Incl Capitalized OH	1,473.00	1,334.98
Capitalized Interest	0.00	0.00
Total Incl Cap OH& Int	1,473.00	1,334.98

Products Recovery:

		Gross	WI	Royalty	NRI
Oil	MSTB	0.00	0.00	0.00	0.00
Gas-Raw	MMSCF	507.37	459.83	63.12	396.71
Gas-Sales	MMSCF	365.31	331.08	45.44	285.63
Cond.	MSTB	42.45	38.48	5.28	33.20
Ethane	MSTB	0.00	0.00	0.00	0.00
Propane	MSTB	71.03	64.38	8.84	55.54
Butane	MSTB	0.00	0.00	0.00	0.00
Sulphur	MLt	0.00	0.00	0.00	0.00
Other	MSTB	0.00	0.00	0.00	0.00
Total w/ Raw Gas	MBOE	200.96	182.13	25.00	157.13
Total w/ Sales Gas	MBOE	176.47	159.93	21.95	137.98

Reserves Additions

Proved Reserves

	Initial Gross	Changes Gross	Total Gross	Initial NRI	Changes NRI	Total NRI
Liquids (MBO)	0	0	0	0	0	0
Gas (MMSCF)	0	0	0	0	0	0
Total (MBOE)	0	0	0	0	0	0

Proved Developed Reserves

	Initial Gross	Changes Gross	Total Gross	Initial NRI	Changes NRI	Total NRI
Liquids (MBO)	0	0	0	0	0	0
Gas (MMSCF)	0	0	0	0	0	0
Total (MBOE)	0	0	0	0	0	0

Margin Analysis

	BP Net Total $M	$ / WI BOE	$ / NRI BOE
NRI Revenue	5,447.11	34.06	39.48
Opex (Incl Opex Assoc COPAS)	735.24	4.60	5.33
Abandonment (Incl Salvage)	0.00	0.00	0.00
BT Operating Cash Flow	4,711.87	29.46	34.15
Capex (Incl OH & Capex Assoc COPAS)	1,334.98	8.35	9.68
BT Cash Flow	3,376.89	18.54	24.47
Taxes	-1,178.97	-6.47	0.00
AT Net Cash Flow	2,197.92	12.07	0.00
Financial Book Net Income	2,197.92	13.74	15.93

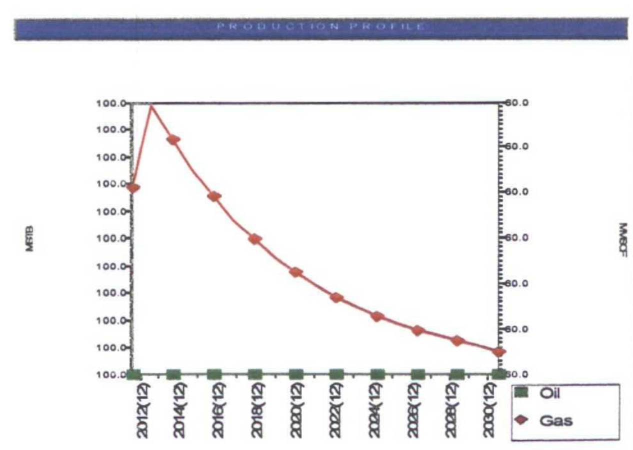
Total Cost of Supply

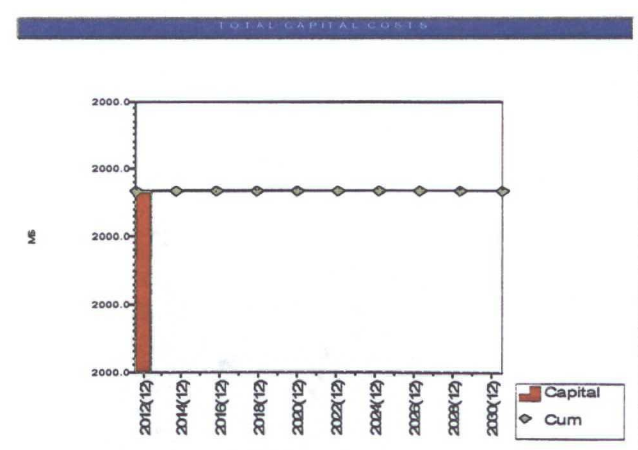
	BP Net Total $M	$ / WI BOE	$ / NRI BOE
Sunk Capex (Incl OH & Capex Assoc COPAS)	0.00	0.00	0.00
Capex (Incl OH & Capex Assoc COPAS)	1,334.98	8.35	9.68
Opex (Incl Opex Assoc COPAS)	735.24	4.60	5.33
Abandonment	0.00	0.00	0.00
Transportation (Offset 2)			
Total			

Case Notes:

GCU 212 POST-APPRAISAL
Pinon North Pool
BTU = 1000 with 28.0% shrink
CGR from type curves
NGL = 140 bbl/mmscf

WI = 90.63% NRI = 78.19%
OPEX = $0.492/mcf (w/o compression)
CAPEX = $1,473M (18% Tangible) -- INCLUDES OH
Gas Price = $5.00/mmbtu
Offset = $0.38 / mmbtu
Commercial Offset= $0.45 / mmbtu
Condensate Price = $76.5/ bbl
Offset = $7.50/ bbl
NGL Price = $42.95 / bbl
Offset = $3.56 / bbl





Cash Flow Detailed Report
GCU 212 Gallup Post Appraisal -- Sept 2012
(Nominal values)

CashFlow Detail Report

Case Notes: GCU 212 POST-APPRAISAL
Pinon North Pool
BTU = 1000 with 28.0% shrink
CGR from type curves
NGL = 140 bbl/mmscf

		2012(12)	2013(12)	2014(12)	2015(12)	2016(12)	2017(12)	2018(12)	2019(12)	2020(12)	2021(12)	2022(12)	2023(12)	2024(12)	2025(12)	2026(12)	2027(12)	2028(12)	2029(12)	2030(12)	Total
Gross Crude& Cond Rate	Bbl/d	27.915	15.211	9.965	7.850	6.480	5.604	4.968	4.489	4.101	3.807	3.554	3.339	3.146	2.995	2.854	2.729	2.610	2.517	2.252	—
Gross NGL/Other Rate	Bbl/d	17.403	25.123	21.857	19.015	16.498	14.393	12.522	10.894	9.452	8.246	7.174	6.241	5.415	4.724	4.110	3.576	3.102	2.706	2.203	—
Gross Gas Rate	mcf/d	124.305	179.449	156.120	135.825	117.845	102.806	89.441	77.814	67.513	58.897	51.241	44.579	38.678	33.742	29.356	25.539	22.159	19.331	15.734	—
Gross Sales Rate	Bbl/d	60.749	62.610	51.202	43.726	37.607	32.759	28.593	25.042	21.934	19.364	17.088	15.114	13.363	11.907	10.608	9.475	8.463	7.623	6.407	—
Gross Capital	M$	1,473.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	1,473.000
		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	—
NRI Crude & Cond Volume	MSTB	7.989	4.341	2.844	2.240	1.854	1.599	1.418	1.281	1.174	1.086	1.014	0.953	0.900	0.855	0.815	0.779	0.747	0.718	0.588	33.195
NRI NGL/Other Volume	MSTB	4.980	7.170	6.238	5.427	4.721	4.108	3.574	3.109	2.705	2.353	2.047	1.781	1.550	1.348	1.173	1.020	0.888	0.772	0.575	55.540
NRI Sales Gas Volume	MMSCF	25.613	36.874	32.080	27.910	24.281	21.125	18.379	15.989	13.911	12.102	10.529	9.160	7.969	6.933	6.032	5.248	4.566	3.972	2.958	285.632
NRI BOE Sales Volume	MSTB	17.385	17.869	14.613	12.479	10.762	9.349	8.160	7.147	6.277	5.526	4.877	4.313	3.824	3.398	3.027	2.704	2.422	2.175	1.673	137.982
NRI Gas Heat Content	BTU/cf	1,000.000	1,000.000	1,000.000	1,000.000	1,000.000	1,000.000	1,000.000	1,000.000	1,000.000	1,000.000	1,000.000	1,000.000	1,000.000	1,000.000	1,000.000	1,000.000	1,000.000	1,000.000	1,000.000	—
		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	—
WI Total Revenue	M$	967.003	819.533	638.380	536.685	459.343	398.507	348.825	307.280	272.056	241.919	215.985	193.554	174.100	157.173	142.411	129.515	118.227	108.322	84.924	6,313.744
WI Royalty Payments	M$	132.732	112.490	87.625	73.666	63.050	54.700	47.880	42.178	37.343	33.206	29.646	26.568	23.897	21.574	19.548	17.777	16.228	14.868	11.657	866.633
NRI Crude & Cond Revenue	M$	551.215	299.537	196.225	154.577	127.949	110.348	97.835	88.397	80.980	74.965	69.978	65.753	62.130	58.975	56.201	53.741	51.542	49.556	40.573	2,290.477
NRI NGL/Other Revenue	M$	176.251	253.742	220.756	192.058	167.090	145.368	126.471	110.029	95.726	83.281	72.455	63.036	54.841	47.712	41.509	36.113	31.418	27.334	20.358	1,965.547
NRI Gas Revenue	M$	106.805	153.763	133.774	116.384	101.254	88.091	76.639	66.676	58.008	50.467	43.906	38.198	33.233	28.912	25.154	21.884	19.039	16.564	12.336	1,191.086
NRI Total Revenue	M$	834.270	707.043	550.755	463.019	396.293	343.807	300.944	265.102	234.713	208.713	186.339	166.987	150.203	135.599	122.864	111.738	101.999	93.454	73.268	5,447.110
		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	—
WI Ad Valorem Tax	M$	11.516	9.761	7.604	6.393	5.471	4.747	4.155	3.660	3.240	2.881	2.573	2.305	2.074	1.872	1.696	1.543	1.408	1.290	1.011	75.200
WI Severance Tax	M$	66.565	56.310	43.840	36.849	31.536	27.359	23.949	21.098	18.681	16.614	14.835	13.296	11.961	10.800	9.788	8.903	8.129	7.449	5.841	433.803
WI Opex	M$	20.287	29.206	25.409	22.106	19.232	16.732	14.557	12.664	11.018	9.586	8.340	7.255	6.312	5.492	4.778	4.157	3.616	3.146	2.343	226.235
WI Revex Wellwork	M$	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
WI Revex Exploration	M$	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
WI Overhead	M$	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
WI Gathering Expense	M$	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
WI COPAS Receipts/Pmts	M$	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
WI Total Expense	M$	98.368	95.277	76.853	65.348	56.240	48.838	42.661	37.423	32.940	29.081	25.747	22.857	20.347	18.164	16.261	14.602	13.153	11.885	9.196	735.238
WI Operating Income	M$	735.903	611.766	473.903	397.671	340.053	294.969	258.284	227.680	201.773	179.632	160.592	144.130	129.856	117.435	106.602	97.136	88.846	81.569	64.072	4,711.872
		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	—
WI Capex Dry Holes	M$	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
WI Capex D&C	M$	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
WI Capex Facilities	M$	1,334.980	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	1,334.980
WI Capex OH Expense	M$	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
WI Total Capital	M$	1,334.980	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	1,334.980
WI Abandonment	M$	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
WI BT Cashflow	M$	-599.077	611.766	473.903	397.671	340.053	294.969	258.284	227.680	201.773	179.632	160.592	144.130	129.856	117.435	106.602	97.136	88.846	81.569	64.072	3,376.892
		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	—
WI Intang Tax Book Deprec	M$	799.119	65.681	65.681	65.681	65.681	32.841	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	1,094.684
WI MACRS7 Tax Book Deprec	M$	34.328	58.848	42.034	30.025	21.446	21.446	21.446	10.723	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	240.297
WI Total Tax Book Deprec	M$	833.447	124.529	107.715	95.706	87.127	54.287	21.446	10.723	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	1,334.980
WI Taxable Income	M$	-97.544	487.237	366.187	301.965	252.926	240.683	236.837	216.957	201.773	179.632	160.592	144.130	129.856	117.435	106.602	97.136	88.846	81.569	64.072	3,376.892
WI State Income Tax	M$	-2.926	14.617	10.986	9.059	7.588	7.220	7.105	6.509	6.053	5.389	4.818	4.324	3.896	3.523	3.198	2.914	2.665	2.447	1.922	101.307
WI Federal Income Tax	M$	-31.129	155.492	116.861	96.366	80.716	76.809	75.582	69.237	64.392	57.326	51.250	45.996	41.441	37.477	34.020	30.999	28.354	26.031	20.447	1,077.668
WI AT Cashflow	M$	-565.021	441.657	346.056	292.246	251.749	210.940	175.597	151.933	131.328	116.917	104.525	93.810	84.519	76.435	69.384	63.223	57.827	53.091	41.703	2,197.918

Input Detail Report

Case: GCU 212 Gallup Post Appraisal -- Sept 2012

Sulphur (scenario: Base) Start Date: 2012 01
Other (scenario: Base) Start Date: 2012 01
Water (scenario: Base) Start Date: 2012 01
Inj. Water (scenario: Base) Start Date: 2012 01
PRICE GROUP:

Operating Interest 90.63
Oil Interest 90.63
GAS Interest 90.63
Byproducts Interest 90.63
Custom Interest 90.63
Capital Interest 90.63
Burden Interest 90.63
- Exploration Cap 90.63
- Facility Capital 90.63
- G&A Capital 90.63
Net Profit Int (Paid) 0.00
Oil NRI 78.19
Gas1 NRI 78.19
Byproduct NRI 78.19

REVERSION TRIGGERS

OPERATING COSTS(scenario: Values Used for Post-Appraisal):
Variable Gas 1 $/mcf 0.49(*653)

CUSTOM (scenario: Base):

BURDENS:

CAPITAL DETAIL(scenario: Values Used for Post-Appraisal):
2012 01 Capin Surface Intang 402.6 M$
2012 01 Capin Surface Tang 88.4 M$
2012 02 Capin Surface Intang 402.6 M$
2012 02 Capin Surface Tang 88.4 M$
2012 03 Capin Surface Intang 402.6 M$
2012 03 Capin Surface Tang 88.4 M$

TAX DETAIL:
Fed. Inc. Tax % 35.00(*660)
MFG Tax Deduct Rate % 6.00(*660)
FIT Taxable Income After State Tax% 100.00(*660)
MFG Tax Deduct % 2.10(*660)

Input Detail Report

Case: GCU 212 Gallup Post Appraisal -- Sept 2012

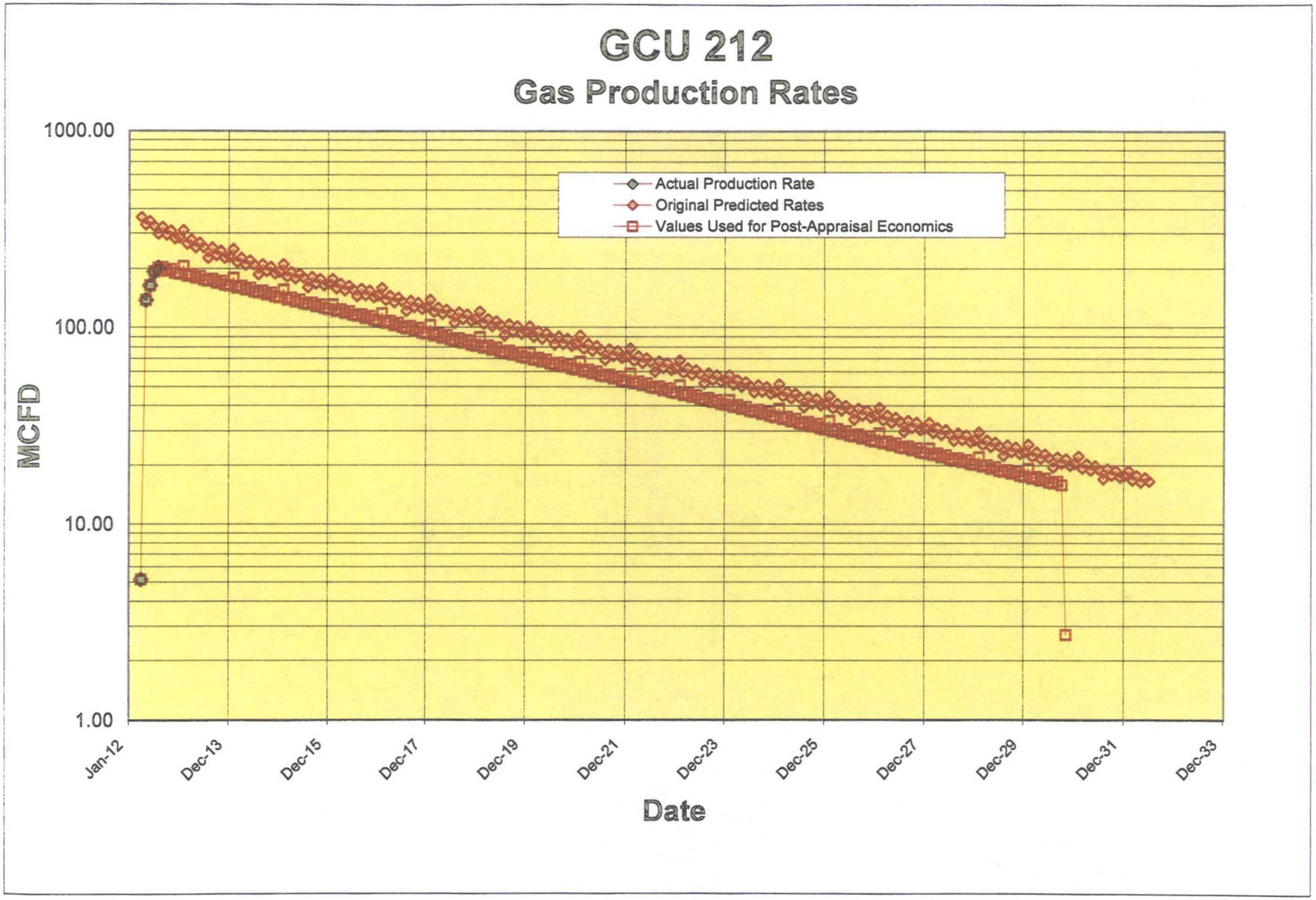
PETROLEUM ECONOMICS EVALUATION PROGRAM
Time : 10/15/2012 08:43:55
Case : GCU 212 Gallup Post Appraisal -- Sept 2012 (Nominal values)
Report: Input Detail Report

PARAMETERS:
Author : Herschel Waller
Company : BP
Date : 9/19/2012
COMMENTS :
GCU 212 POST-APPRAISAL
Pinon North Pool
BTU = 1000 with 28.0% shrink
CGR from type curves
NGL = 140 bbl/mmscf

WI = 90.63% NRI = 78.19%
OPEX = $0.492/mcf (w/o compression)
CAPEX = $1,473M (18% Tangible) -- INCLUDES OH
Gas Price = $5.00/mmbtu
Offset = $0.38 / mmbtu
Commercial Offset = $0.45 / mmbtu
Condensate Price = $76.5/ bbl
Offset = $7.50/ bbl
NGL Price = $42.95 / bbl
Offset = $3.56 / bbl
Commerical Offset = $4.00

Evaluation Date: : 2012 01
Minimum months to evaluate : 12
Maximum Length (years): 55
Discount Date: : 2012 01
Escalation Date: : 2012 01
Escalate At Run Time: Use Preferences Setting
Model name: BP Houston
Global Parameters name: Default
Currency: U.S. Dollar
PRODUCTION:
Oil (scenario: Base) Start Date: 2012 01
Gas1 (scenario: Act Thru 8-2012, Then Decline) Start Date: 2012 01

Gas1 Volume MMSCF	0.00(*3)	0.16	4.28	4.91	5.98	6.24	6.09	6.02	5.95	5.88	5.81	5.75
	5.68	5.61	5.55	5.49	5.42	5.36	5.30	5.24	5.18	5.12	5.06	5.00
	4.94	4.88	4.83	4.77	4.72	4.66	4.61	4.56	4.50	4.45	4.40	4.35
	4.30	4.25	4.20	4.15	4.10	4.06	4.01	3.96	3.92	3.87	3.83	3.78
	3.74	3.70	3.65	3.61	3.57	3.53	3.49	3.45	3.41	3.37	3.33	3.29
	3.25	3.22	3.18	3.14	3.11	3.07	3.04	3.00	2.97	2.93	2.90	2.86
	2.83	2.80	2.77	2.73	2.70	2.67	2.64	2.61	2.58	2.55	2.52	2.49
	2.46	2.43	2.41	2.38	2.35	2.32	2.30	2.27	2.24	2.22	2.19	2.17
	2.14	2.12	2.09	2.07	2.05	2.02	2.00	1.98	1.95	1.93	1.91	1.89
	1.86	1.84	1.82	1.80	1.78	1.76	1.74	1.72	1.70	1.68	1.66	1.64
	1.62	1.60	1.58	1.57	1.55	1.53	1.51	1.50	1.48	1.46	1.44	1.43


GCU 212
Gas Production Rates
1000.00
100.00
10.00
1.00
MCFD
Actual Production Rate
Original Predicted Rates
Values Used for Post-Appraisal Economics
Jan-12
Dec-13
Dec-15
Dec-17
Dec-19
Dec-21
Dec-23
Dec-25
Dec-27
Dec-29
Dec-31
Dec-33
Date

Ray Powell, M.S., D.V.M.
COMMISSIONER

State of New Mexico
Commissioner of Public Lands

310 OLD SANTA FE TRAIL
P.O. BOX 1148
SANTA FE, NEW MEXICO 87504-1148

COMMISSIONER'S OFFICE
Phone (505) 827-5760
Fax (505) 827-5766
www.nmstatelands.org

March 24, 2011

BP America Production Company
P.O. Box 3092
Houston, Texas 77253-3092

Attn: Mr. Craig A. Carley

Re: 2011 Plans of Development
Gallegos Canyon Unit
San Juan County, New Mexico

Dear Mr. Carley:

The Commissioner of Public Lands has, of this date, approved the referenced Plan of Development. Our approval is subject to like approval by all other appropriate agencies. The possibility of drainage by wells outside the unit area, and the need for further development of the unit may exist; therefore, we may contact you at a later date regarding these possibilities.

If you have any questions or if we may be of further help, please contact Pete Martinez at (505) 827-5791.

Very truly yours,

RAY POWELL M.S., D.V.M.
COMMISSIONER OF PUBLIC LANDS

BY: Larry J Roybal
LARRY J. ROYBAL, Deputy Director
Oil, Gas and Minerals Division

RP/LR/jm
xc: Reader File
OCD-Ed Martin

PATRICK H. LYONS
COMMISSIONER

State of New Mexico
Commissioner of Public Lands

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www.nmstatelands.org

RECEIVED OCD

2010 MAY 10 P

May 6, 2010

Williams Exploration & Production
One Williams Center
P.O. Box 3102
Tulsa, OK 74101-3102

Attn: Mr. Brennan West

Re: First Supplemental 2010 Plan of Development
Rosa Unit
San Juan and Rio Arriba Counties, New Mexico

Dear Mr. West:

The Commissioner of Public Lands has, of this date, approved the referenced Plan of Development. Our approval is subject to like approval by all other appropriate agencies. The possibility of drainage by wells outside the unit area, and the need for further development of the unit may exist; therefore, we may contact you at a later date regarding these possibilities.

If you have any questions or if we may be of further help, please contact Pete Martinez at (505) 827-5791.

Very truly yours,

PATRICK H. LYONS
COMMISSIONER OF PUBLIC LANDS

BY: Jami Bailey
JAMI BAILEY, Director
Oil, Gas and Minerals Division

PL/JB/jm
xc: Reader File
OCD-Ed Martin
BLMF-Wayne Townsend

RECEIVED OCD

2010 APR 15 P 2:28

PATRICK H. LYONS
COMMISSIONER

State of New Mexico
Commissioner of Public Lands

310 OLD SANTA FE TRAIL
P.O. BOX 1148
SANTA FE, NEW MEXICO 87504-1148

COMMISSIONER'S OFFICE
Phone (505) 827-5760
Fax (505) 827-5766
www.nmstatelands.org

April 7, 2010

Williams Exploration & Production
One Williams Center
P.O. Box 3102
Tulsa, OK 74101-3102

Attn: Mr. Brennan West

Re: 2010 Plan of Development
Rosa Unit
San Juan and Rio Arriba Counties, New Mexico

Dear Mr. West:

The Commissioner of Public Lands has, of this date, approved the referenced Plan of Development. Our approval is subject to like approval by all other appropriate agencies. The possibility of drainage by wells outside the unit area, and the need for further development of the unit may exist; therefore, we may contact you at a later date regarding these possibilities.

If you have any questions or if we may be of further help, please contact Pete Martinez at (505) 827-5791.

Very truly yours,

PATRICK H. LYONS
COMMISSIONER OF PUBLIC LANDS

BY:
JAMI BAILEY, Director
Oil, Gas and Minerals Division

PL/JB/jm
xc: Reader File
~~OCD-Ed Martin~~
BLMF-Wayne Townsend