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Houston, TX 77079

February 25, 2011

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

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

State of New Mexico
Energy, Minerals and Natural Resources Depart.
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505
Attn: Mr. Daniel Sanchez – Acting Director

RE: 2010 Review of Operations
2011 Plan of Development
Gallegos Canyon Unit
San Juan County, New Mexico

Ladies and Gentlemen:

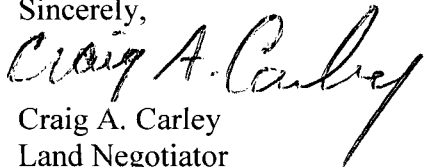
BP America Production Company, as Unit Operator for the Gallegos Canyon Unit, submits for your approval the enclosed 2010 Review of Operations and 2011 Plan of Development.

Please signify your approval of the Plan of Development by signing in the space provided on the attached sheets and returning same to the attention of:

Craig A. Carley
BP America Production Company
501 Westlake Park Blvd.
Houston, TX 77079

If you have any questions, contact the undersigned at (281)-366-2761.

Sincerely,


Craig A. Carley
Land Negotiator

Enclosures

Gallegos Canyon Unit Area

2011 Plan of Development

APPROVED: _____ **Dated:** _____

Bureau of Land Management

(Subject to like approval by the Commissioner of Public Lands and the Oil Conservation District)

APPROVED: _____ **Dated:** _____

Commissioner of Public Lands

(Subject to like approval by the Bureau of Land Management and the Oil Conservation District)

APPROVED: _____ **Dated:** _____

Oil Conservation Division

(Subject to like approval by the Bureau of Land Management and the Oil Commissioner of Public Lands)

The foregoing approvals are for the 2011 Plan of Development for the Gallegos Canyon Unit.

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

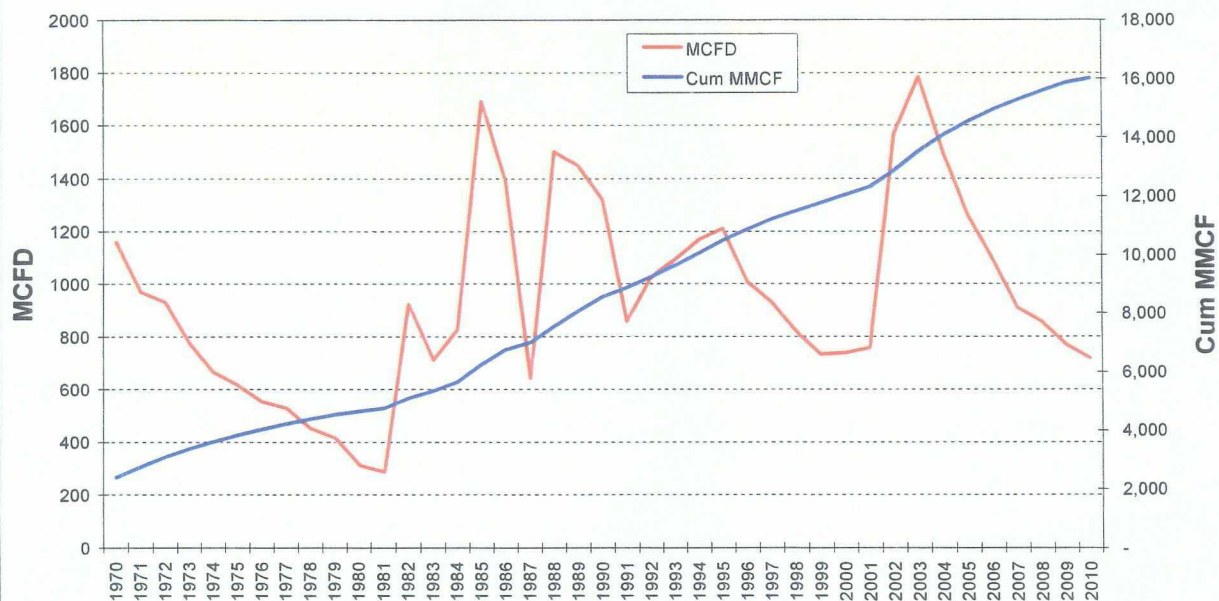
WELL NO.	DEDICATION	TYPE	OBJECTIVE	PERMIT
GCU 212	Unit K Sec 32 T29N R12W	Recomplete from DK	Gallup	Waiting on Permit
GCU 265	Unit P Sec 25 T28N R12W	Recomplete from DK	Gallup	Waiting on Permit
GCU 245	Unit E Sec 36 T28N R12W	Commingled DK with Gallup	DK+Gallup	Waiting on Permit
GCU 208	Unit H Sec 15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

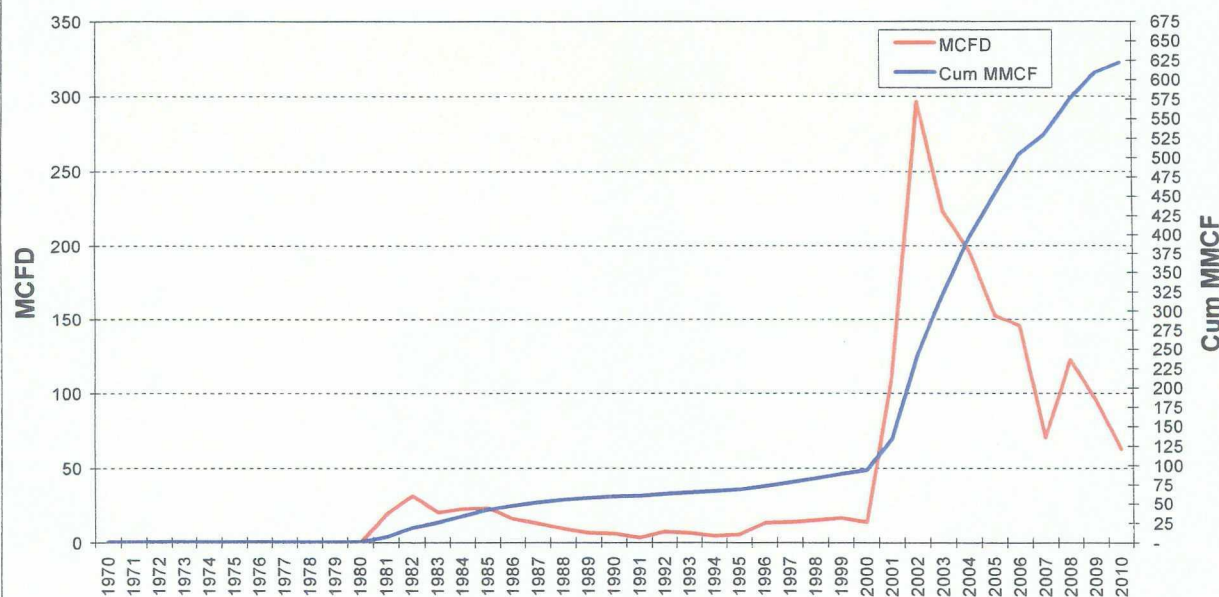
TABLE V
2011 Plug and Abandon Candidates

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	

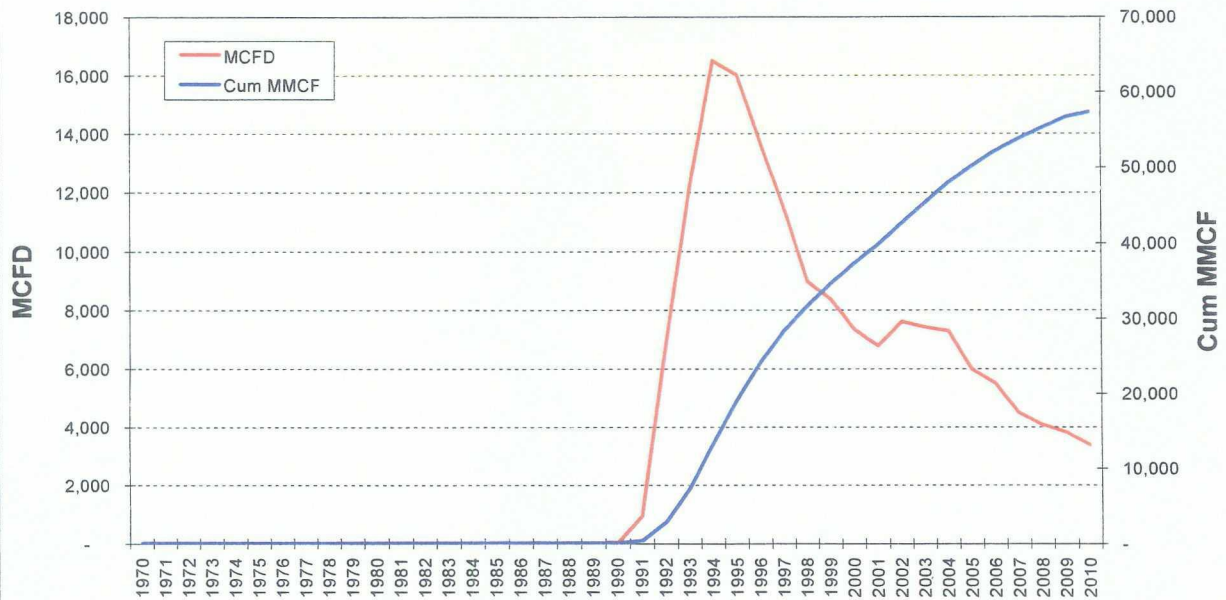
**Historical Production
Gallegos Canyon Unit
Fruitland Sands Formation**



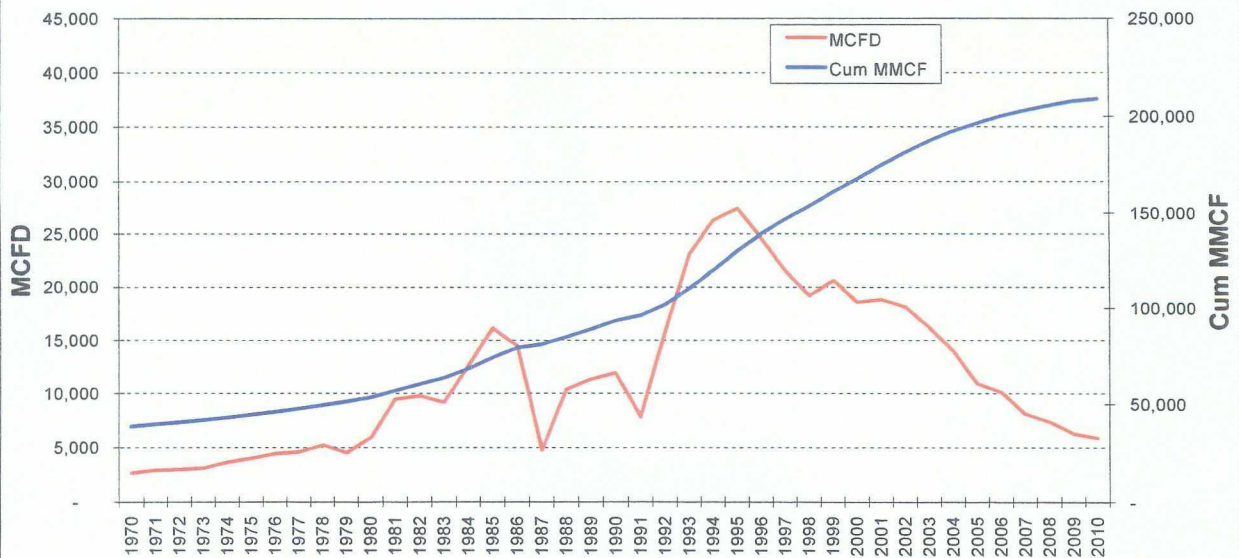
**Historical Production
Gallegos Canyon Unit
Farmington Sands Formation**



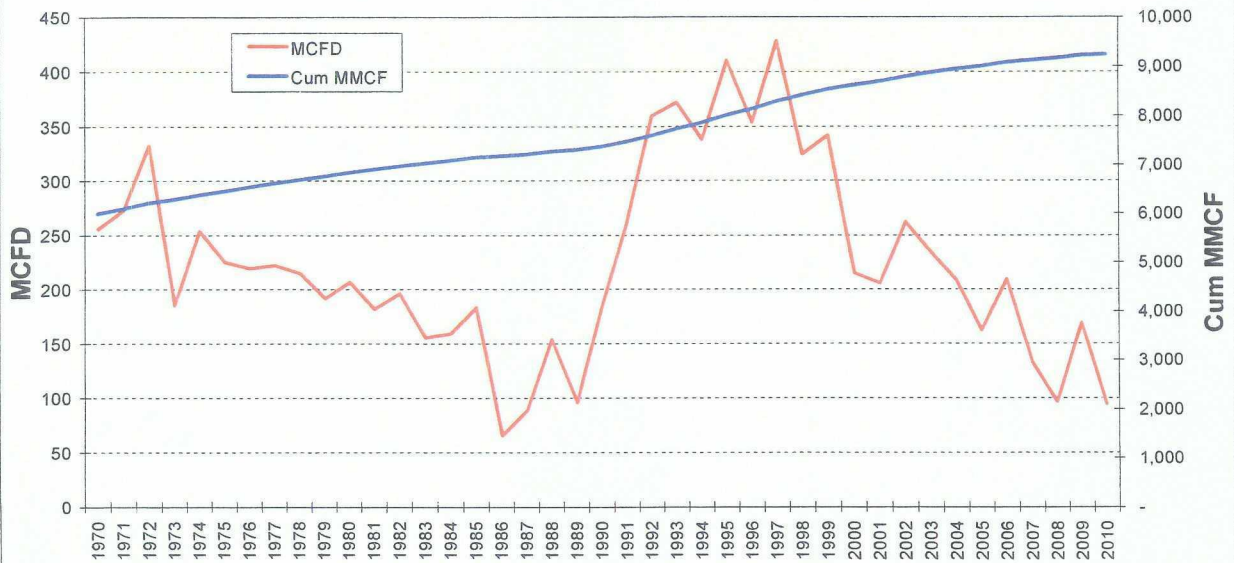
**Historical Production
Gallegos Canyon Unit
Fruitland Coal Formation**



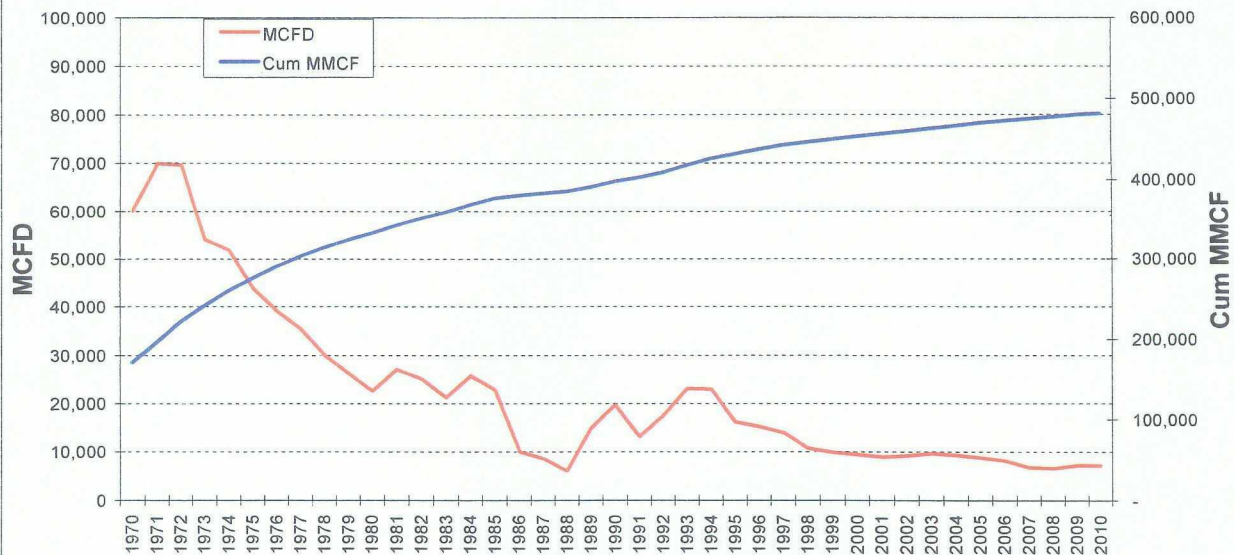
**Historical Production
Gallegos Canyon Unit
Pictured Cliffs Formation**



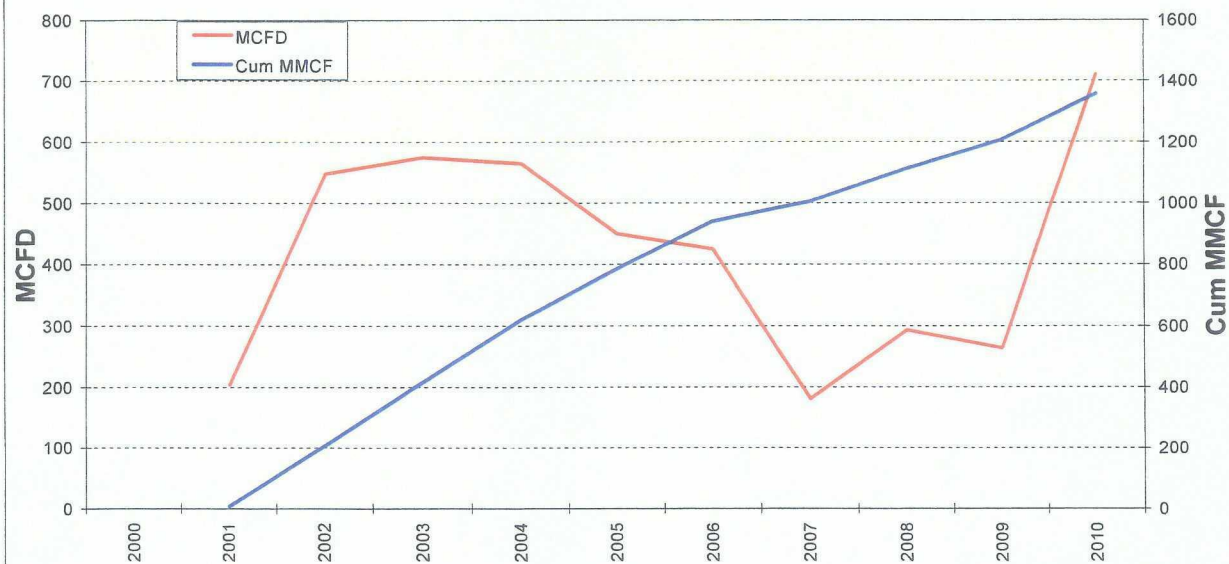
**Historical Production
Gallegos Canyon Unit
Gallup Formation**



**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	
1970	421,842	1,156	2,376						15
1971	352,593	966	2,729						15
1972	338,389	927	3,067						15
1973	281,816	772	3,349						15
1974	241,834	663	3,591						15
1975	223,452	612	3,814						15
1976	200,454	549	4,015						15
1977	191,668	525	4,206						15
1978	163,601	448	4,370						15
1979	150,652	413	4,521						15
1980	112,369	308	4,633						15
1981	102,972	282	4,736	6,822	19	7			15
1982	335,753	920	5,072	11,256	31	18			15
1983	258,817	709	5,331	7,110	19	25			15
1984	300,111	822	5,631	8,052	22	33			15
1985	616,461	1,689	6,247	8,220	23	41			15
1986	506,705	1,388	6,754	5,643	15	47			15
1987	233,206	639	6,987	4,438	12	52			15
1988	546,887	1,498	7,534	3,231	9	55			15
1989	528,369	1,448	8,062	2,226	6	57			15
1990	481,455	1,319	8,544	2,077	6	59	5,354	15	21
1991	311,993	855	8,856	1,002	3	60	338,964	929	360
1992	373,790	1,024	9,230	2,471	7	63	2,512,356	6,883	2,872
1993	397,986	1,090	9,628	2,239	6	65	4,455,745	12,208	7,328
1994	425,470	1,166	10,053	1,510	4	66	6,015,433	16,481	13,343
1995	440,904	1,208	10,494	1,877	5	68	5,838,946	15,997	19,182
1996	367,242	1,006	10,861	4,648	13	73	4,990,725	13,673	24,173
1997	338,612	928	11,200	4,897	13	78	4,177,686	11,446	28,350
1998	298,375	817	11,498	5,323	15	83	3,268,728	8,955	31,619
1999	266,631	730	11,765	5,834	16	89	3,042,401	8,335	34,662
2000	268,242	735	12,033	4,869	13	94	2,672,713	7,323	37,334
2001	275,701	755	12,309	40,582	111	134	2,467,782	6,761	39,802
2002	570,315	1,563	12,879	107,979	296	242	2,770,359	7,590	42,572
2003	650,157	1,781	13,529	81,210	222	324	2,700,274	7,398	45,273
2004	544,857	1,493	14,074	71,622	196	395	2,655,560	7,276	47,928
2005	457,764	1,254	14,532	55,585	152	451	2,175,195	5,959	50,104
2006	397,879	1,090	14,930	53,001	145	504	2,001,826	5,484	52,105
2007	330,791	906	15,260	25,514	70	529	1,629,639	4,465	53,735
2008	311,537	854	15,572	44,607	122	574	1,479,125	4,052	55,214
2009	280,097	767	15,852	34,592	95	608	1,388,416	3,804	56,603
THRU JULY 2010	151,628	715	16,004	13,168	62	622	710,240	3,350	57,313
	16,003,757			621,605			57,312,754		

	Pictured Cliffs [Pulled 2009 & 2010 12-14-10]				Gallup [Pulled 2009 & 2010 12-14-10]			
	BO	CUM MBO	MCF	Cum MMCF	BO	CUM MBO	MCF	Cum MMCF
Pre-70								
1970				37,491,422	16,10,177	1,610	5,898,438	5,898
1971		-		943,709	46,058	126	92,973	255
1972		-		1,034,632	34,902	96	99,385	272
1973		-		1,059,048	20,796	57	121,034	332
1974		-		1,100,306	13,658	37	67,292	184
1975		-		1,310,401	14,580	40	92,293	253
1976		-		1,435,831	14,475	40	81,870	224
1977		-		1,599,650	13,554	37	79,700	218
1978		-		1,651,193	12,282	34	80,880	222
1979		-		1,888,464	11,700	32	78,137	214
1980		-		1,626,471	10,882	30	69,736	191
1981		-		2,136,117	9,582	26	75,193	206
1982		-		3,429,886	9,616	26	66,153	181
1983		-		3,540,909	9,450	26	61,376	196
1984		-		3,325,643	9,926	27	56,586	155
1985		-		4,587,689	10,903	30	57,981	159
1986		-		5,867,019	8,200	22	66,666	183
1987		-		5,248,874	6,585	18	23,668	65
1988		-		1,713,913	6,535	18	32,197	88
1989	4,259	12	4.26	3,760,611	9,904	27	1,884	7,268
1990		-	4.26	4,111,533	5,794	16	3,723	7,302
1991		-	4.26	4,330,886	8,331	23	1,898	7,369
1992		-	4.26	2,834,298	8,191	22	1,906	7,464
1993		-	4.26	8,418,768	10,737	29	1,917	7,595
1994		-	4.26	9,583,068	9,505	26	1,926	7,730
1995		-	4.26	26,255	7,343	20	1,934	7,853
1996		-	4.26	27,401	8,941	24	1,943	8,003
1997	42	0	4.26	10,001,354	7,547	21	1,950	8,132
1998		-	4.30	8,941,012	7,932	22	1,958	8,288
1999		-	4.30	7,840,701	6,217	17	1,964	8,406
2000		-	4.30	6,967,436	5,710	16	1,970	8,530
2001		-	4.30	7,516,902	4,620	13	1,975	8,609
2002	2	0	4.30	18,493	4,421	7	1,977	8,683
2003	10	0	4.30	6,853,634	2,421	4	1,978	8,779
2004	53	0	4.37	6,594,850	1,416	5	1,980	8,864
2005	96	0	4.46	5,887,930	1,651	4	1,981	8,940
2006	133	0	4.60	5,094,244	1,279	3	1,983	8,999
2007	245	1	4.84	3,673,171	1,191	5	1,985	9,075
2008	113	0	4.95	2,942,287	1,967	4	1,986	9,123
2009	10	0	4.96	2,673,462	1,292	2	1,987	9,158
2010	1	0	4.96	2,281,315	698	2	1,988	9,219
THRU JULY 2010	1	0	4.97	2,233,978	1114	2	1,988	9,239
	4,965			208,985,899	355		19,836	9,239

	Dakota [Pulled 2009 & 2010 12-14-10]					Chacra [Pulled 2009 & 2010 12-14-10]				
	BO	BOPD	CUM MBO	MCF	MMCF	BO	BOPD	CUM MBO	MCF	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	57,964	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						
						6,199				
						1,872	5.1		6.261	202
						1,226	3.4		199,274	546
						841	2.3		209,213	573
						473	1.3		205,580	563
						453	1		163,920	449
						213	1		154,476	423
						519	1		65,276	179
						311	1		106,676	292
						291	1		95,669	262
									150,310	709
									1,356,655	

THRU JULY 2010