



BP America Production Company  
North America Gas SPU  
200 Energy Court  
Farmington, NM 87401

February 1, 2010

RCVD FEB 12 '10  
OIL CONS. DIV.

United States Department of the Interior  
Bureau of Land Management  
1235 La Plata Highway  
Farmington, NM 87401

DIST. 3

Attn: Jim Lovato

30-045-20006

**RE: Gallegos Canyon Unit #259 Water Disposal and Oil Recovery Facility Surface  
Commingling and Off-Lease Sales and Measurement Request (01/10-06/10)**

In accordance with your approval letter dated November 1, 2007 for surface commingling, off-lease sales, storage, usage & measurement and the allocation of oil sold from the Gallegos Canyon Unit #259 Oil Recovery and Water Disposal Facility, herein submitted for your records is the semi-annual re-determination of wells to be included in the allocation during the upcoming period covering **January 1, 2010 to June 30, 2010**. I in accordance with the original approval, the re-determination has been performed by identifying those wells delivering water to the facility during the period **July 2009 through December 2009**. Wells not producing condensate been eliminated from the calculation of the allocation factors. The total water delivered to the facility, from oil producing wells and leases is totalled and then each well is allocated a percent of the oil sold from the facility based upon its' portion of this total. The facility was returned to production June 2009 after maintenance was performed.

Produced water from various wells/leases operated by BP America Production Company, will be picked up at the well location from pits and or water storage tanks and hauled via truck to the Oil Recovery Facility (ORF) where it will be offloaded into two 500 bbl tanks which are equalized. Through separation, incidental volumes of condensate entrained in the water delivered to the facility will be recovered into the 400 bbl sales tank, no. 8357 or the 300 bbl sales tank, no. 8081. Sales of condensate will be made periodically from these tanks in accordance with Onshore Orders No. 3, Site Security, and No. 4, Oil Measurement.

Exhibit No. 1 is a listing of wells to be included in the allocation during the period **January 1, 2010 to June 30, 2010**. Exhibit No. 2 is a listing of those wells added to the allocation from the previous period. Exhibit No. 3 is a listing of those wells deleted from the allocation from the previous period.

ACCEPTED FOR RECORD

FEB 10 2010

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FARMINGTON FIELD OFFICE  
BY 

All volumes will be properly allocated to the appropriate Federal Lease or CA and reported on the OGOR Form 4045. Allocated sales volumes of condensate from the ORF are combined with sales at the lease, and recorded as sales and production on the OGOR, and royalties and taxes are paid on the total sales volume. Volumes reported for royalty determination and Federal royalties paid are not reduced in any way by this allocation process.

If there are any questions regarding this proposed allocation, please call me at (505) 326-9260.

Respectfully,

A handwritten signature in cursive script, appearing to read "Sheri Bradshaw".

Sheri Bradshaw  
Production Systems Operator

Attachments

- Exhibit I Proposed Allocation, GCU #259 ORF
- Exhibit II Wells Added, GCU #259 ORF
- Exhibit III Wells Deleted, GCU #259 ORF