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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

February 13, 2012

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

RE: 2012 Plan of Development
Gallegos Canyon Unit
San Juan County, New Mexico

Ladies and Gentlemen:

Please find enclosed the 2012 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 2012 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 March 10, 2012 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 cursive script 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: 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. Fulsaa
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 2011 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 06/30/2011

FORMATION	GAS (MMCF)	CONDENSATE (MBLS)
Farmington Sands	663	0
Fruitland Sands	16,242	0
Fruitland Coal	58,515	0
Pictured Cliffs	211,012	5
Chacra	1,516	7
Gallup	9,260	1,988
Dakota	483,014	3,576

TABLE II
Production Status by Formation as of 06/30/2011

FORMATION	ACTIVE	INACTIVE
Farmington Sands	3	0
Fruitland Sands	34	1
Fruitland Coal	78	0
Pictured Cliffs	131	2
Chacra	6	0
Gallup	6	3
Dakota	173	3

2011 GCU Development

Table III below shows the status of each of the proposed activities from the 2011 GCU Plan of Development. As of 12/31/2011, zero new wells have been drilled and zero wells have been recompleted. The main reason for suspending drilling activity in GCU is the weak economic environment. The main activity during 2011 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 the 4th quarter of 2011, BP started five recompletions of existing Dakota wells into the Gallup formation; expected production delivery from these 5 recompletions is 1st quarter of 2012.

TABLE III - A
2011 Plug and Abandon Candidates

WELL NO.	DEDICATION	CURRENT HORIZON	STATUS
GCU 184	Unit A Sec 28 T28N R12W	DK	Potential PXA for 2012
GCU 289	Unit N Sec 08 T28N R12W	PC	Potential PXA for 2012
GCU 20	Unit M Sec 17 T28N R12W	FC	Potential PXA for 2012
GCU 159E	Unit L Sec 31 T28N R12W	DK	PxA 05/04/11
GCU 63	Unit G Sec 05 T27N R12W	FC	PxA 11/14/11
GCU 322	Unit H Sec 31 T29N R12W	PC	PxA 03/03/11
GCU 190E	Unit K Sec 32 T28N R12W	DK	Scheduled to be PXA in 2012
GCU 234	Unit A Sec 14 T28N R13W	PC	PxA 08/17/11
GCU 151	Unit G Sec 21 T29N R12W	DK	Potential PXA for 2012
GCU 326	Unit F Sec 36 T29N R13W	FC	PxA 08/24/11
GCU 214	Unit B Sec 16 T28N R12W	DK	Returned to production
GCU 336	Unit A Sec 24 T28N R12W	PC	PxA 11/28/11
GCU 394	Unit N Sec 30 T29N R12W	FC	PxA 09/19/11
GCU 223 (*)	Unit N Sec 09 T28N R12W	FC/DK	PxA 08/18/11
GCU 342 (*)	Unit E Sec 14 T28N R12W	PC	PxA 08/19/11
GCU 324 (*)	Unit G Sec 32 T29N R12W	PC	PxA 09/07/11
GCU 542 (*)	Unit E Sec 27 T29N R12W	PC	PxA 12/07/11
GCU 582 (*)	Unit D Sec 19 T28N R12W	PC	PxA 06/02/11

(*) Not originally a 2011 PxA Candidate

TABLE III-B
2011 Work Status

WELL NO.	DEDICATION	TYPE	TARGET	STATUS
GCU 212	Unit K Sec 32 T29N R12W	Recomplete from DK	Gallup	DK T&A'd – Gallup Fractured – Waiting on Facilities installation
GCU 265	Unit P Sec 25 T28N R12W	Recomplete from DK	Gallup	DK T&A'd – Gallup Fractured – Waiting on Facilities installation
GCU 245	Unit E Sec 36 T28N R12W	Commingle DK with Gallup	DK+Gallup	DK T&A'd – Gallup Fractured – Waiting on Facilities installation
GCU 208	Unit H Sec 15 T28N R12W	Commingle DK with Gallup	DK+Gallup	DK T&A'd – Gallup Perforated – Waiting on Gallup Fracture
GCU 244E	Unit M Sec 36 T28N R12W	Recomplete from DK	Gallup	DK T&A'd – Gallup Perforated – Waiting on Gallup Fracture

2012 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 is currently recompleting five existing Dakota completions into the Gallup formation with 3 wells in the Simpson/Kutz pool and 2 wells in the Pinon pool. The expected 1st production from this project is 1st quarter of 2012 (see table IIIb for details). As part of the reservoir management process, BP will evaluate in detail the production and surveillance results of these five recompletions and expects to continue with the Gallup recompletion program in the second half of 2012 with six additional projects. Additionally, BP expects to recomplete the GCU 173E into the Mancos Shale formation as part of the San Juan Basin Mancos Shale appraisal project during the 2nd quarter of 2012. There are no planned drilling activities for 2012.

Table IV below shows a list of planned Gallup recompletions for 2012.

TABLE IV
2012 Development Projects

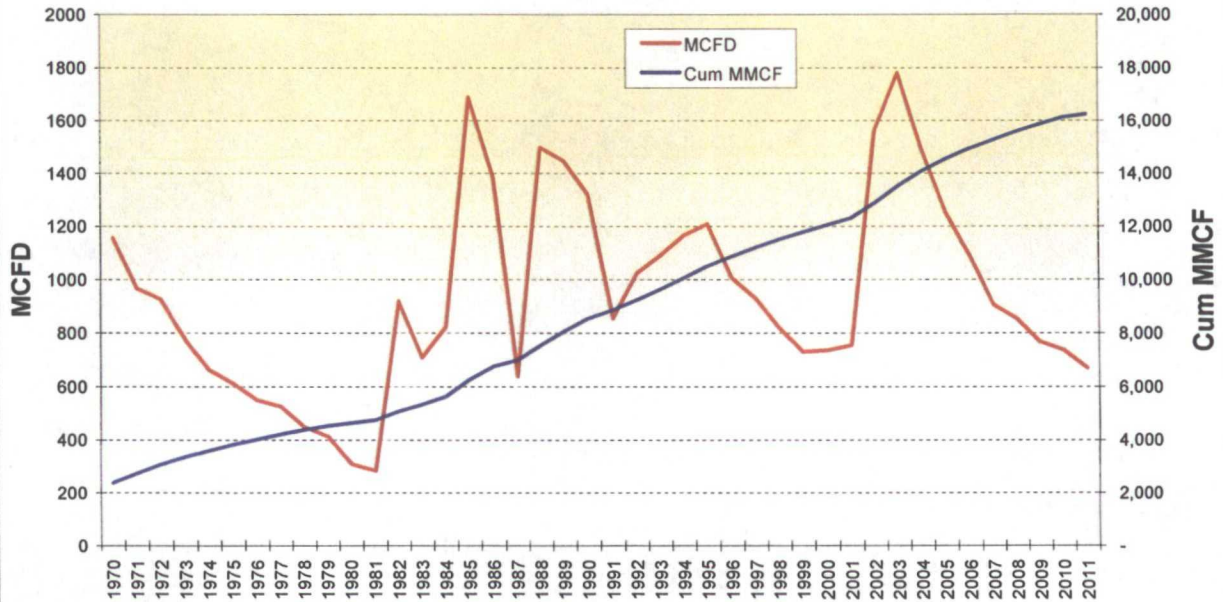
WELL	DEDICATION	TYPE	TARGET	STATUS
GCU 212	Unit K Sec 32 T29N R12W	Recomplete from DK	Gallup	Ongoing
GCU 265	Unit P Sec 25 T28N R12W	Recomplete from DK	Gallup	Ongoing
GCU 245	Unit E Sec 36 T28N R12W	Commingled DK with Gallup	DK+Gallup	Ongoing
GCU 208	Unit H Sec 15 T28N R12W	Commingled DK with Gallup	DK+Gallup	Ongoing
GCU 244E	Unit M Sec 36 T28N R12W	Recomplete from DK	Gallup	Ongoing
GCU 173E	Unit E Sec 29 T29N R12W	Recomplete from DK	Mancos	Evaluating
GCU 165E	Unit P Sec 29 T28N R12W	Recomplete from DK	Gallup	Evaluating
GCU 90E	Unit P Sec 35 T28N R13W	Commingled DK with Gallup	DK+Gallup	Evaluating
GCU 222E	Unit P Sec 12 T28N R13W	Commingled DK with Gallup	DK+Gallup	Evaluating
GCU 212E	Unit P Sec 32 T29N R12W	Commingled DK with Gallup	DK+Gallup	Waiting on results from GCU 212
GCU 124E	Unit N Sec 35 T28N R12W	Commingled DK with Gallup	DK+Gallup	Waiting on results from GCU 244E
GCU 216E	Unit I Sec 14 T28N R12W	Commingled DK with Gallup	DK+Gallup	Waiting on results from GCU 208

Table V below shows a list of completions which are planned to be plugged and abandoned during 2012.

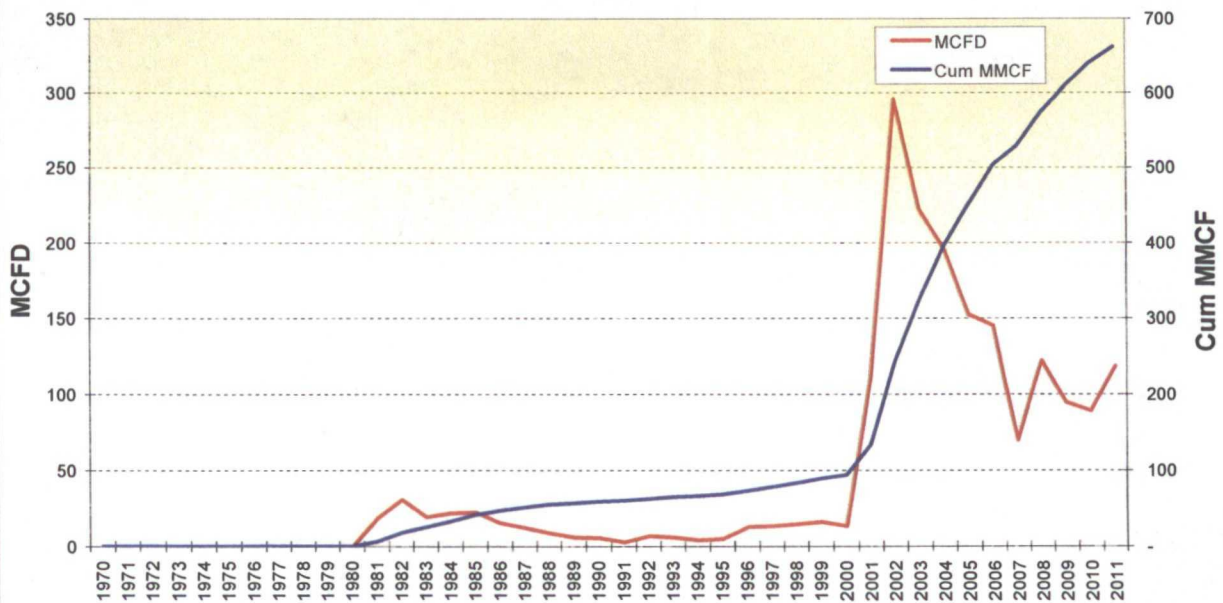
TABLE V
2012 Plug and Abandon Candidates

WELL NO.	DEDICATION	CURRENT HORIZON	OTHER PRODUCED OR TESTED HORIZONS
GCU 20	Unit M Sec 17 T28N R12W	FC	PC (P&A'd 1987)
GCU 151	Unit G Sec 21 T29N R12W	DK	
GCU 184	Unit A Sec 28 T28N R12W	DK	
GCU 190E	Unit K Sec 32 T28N R12W	DK	
GCU 280	Unit J Sec 24 T28N R12W	PC	
GCU 289	Unit N Sec 08 T28N R12W	PC	
GCU 310	Unit J Sec 09 T28N R12W	FS / PC	
GCU 352	Unit A Sec 14 T28N R12W	PC	
GCU 360	Unit D Sec 14 T28N R12W	FS	
GCU COM E 161E	Unit N Sec 23 T29N R13W	DK	

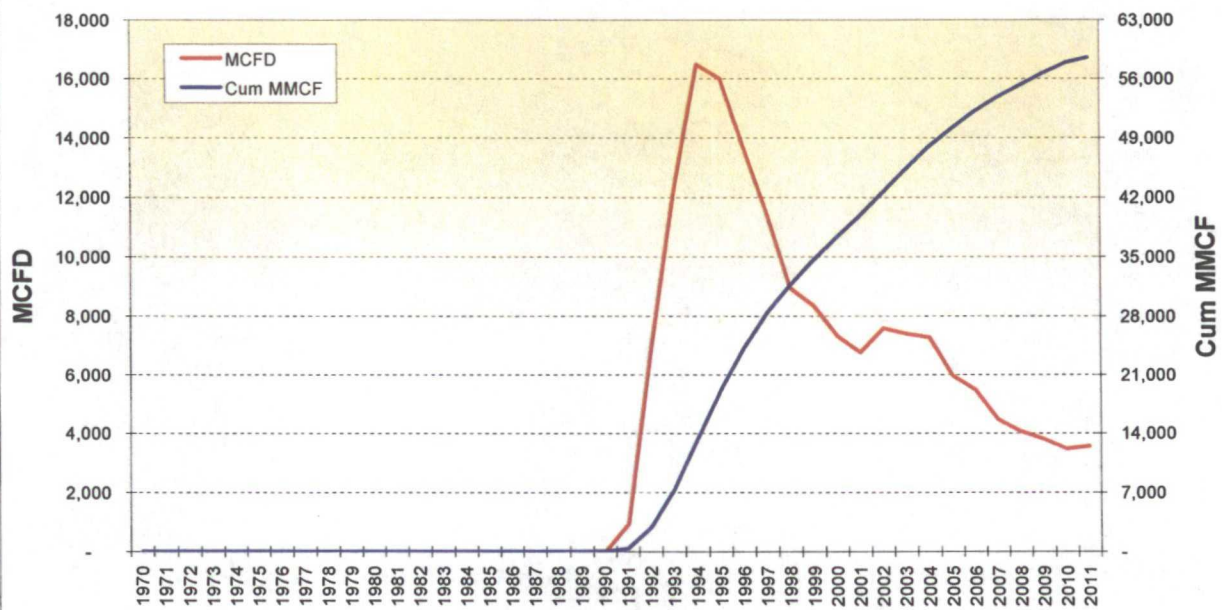
**Historical Production
Gallegos Canyon Unit
Fruitland Sands Formation**



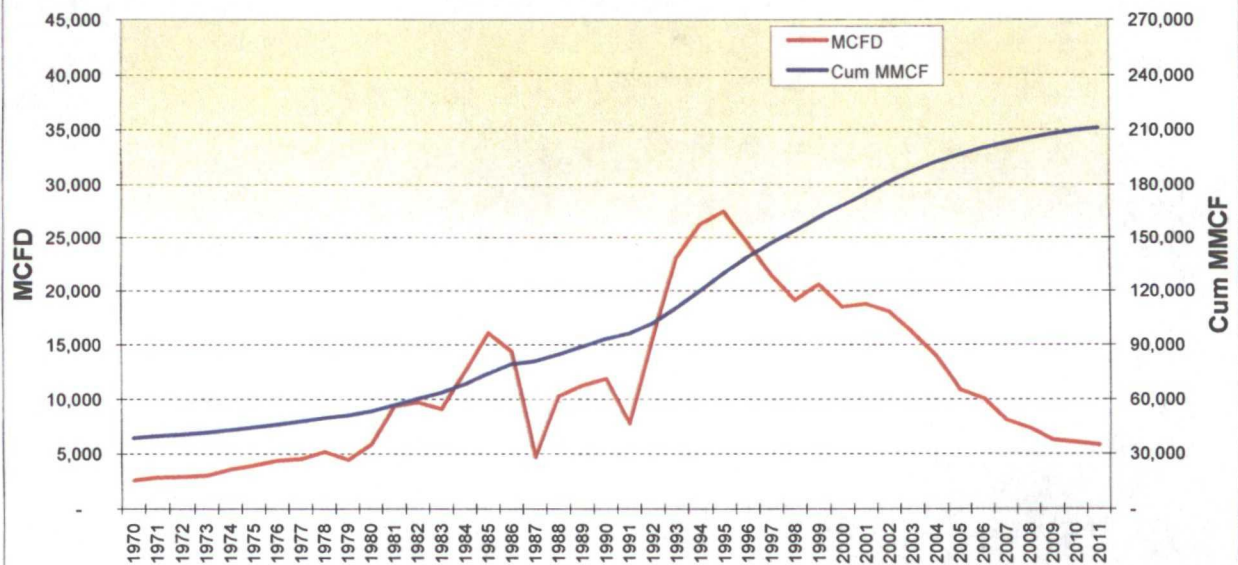
**Historical Production
Gallegos Canyon Unit
Farmington Sands Formation**



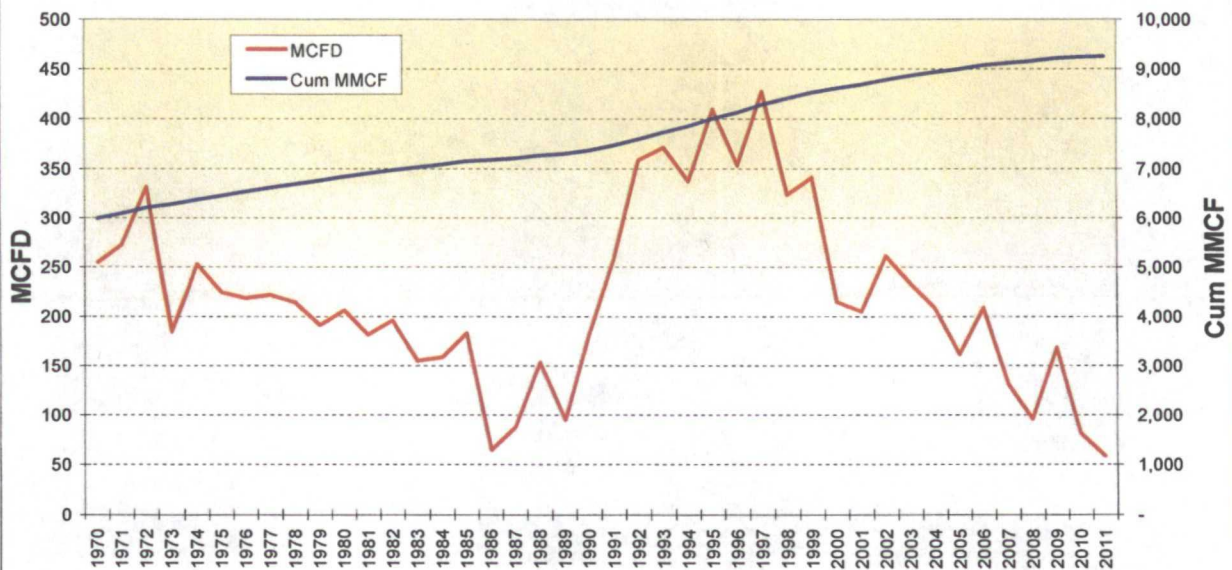
**Historical Production
Gallegos Canyon Unit
Fruitland Coal Formation**



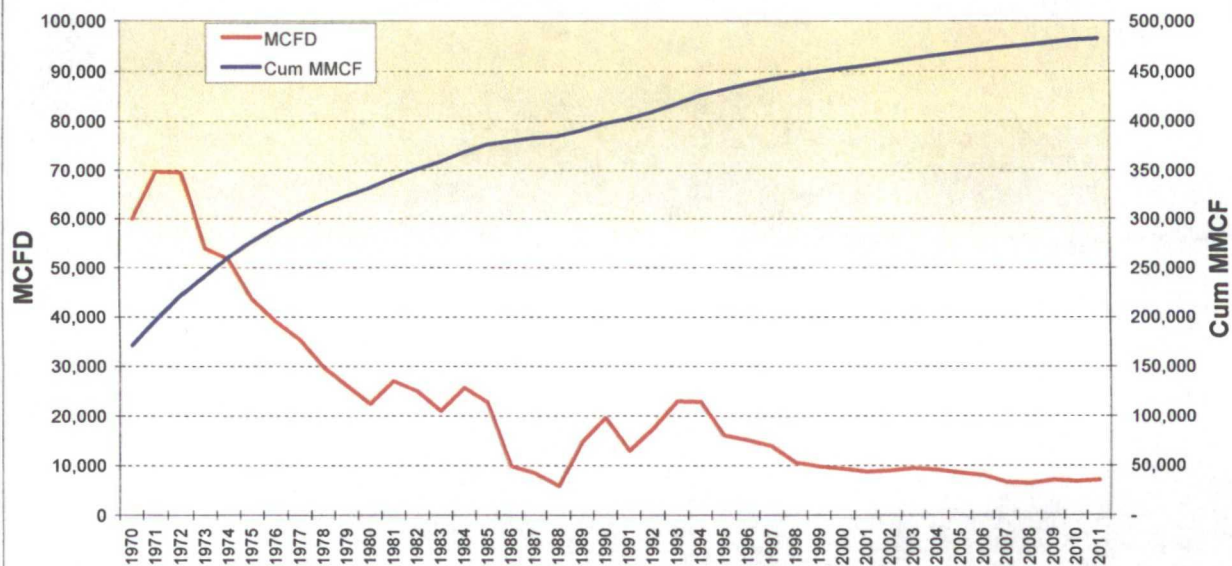
**Historical Production
Gallegos Canyon Unit
Pictured Cliffs Formation**



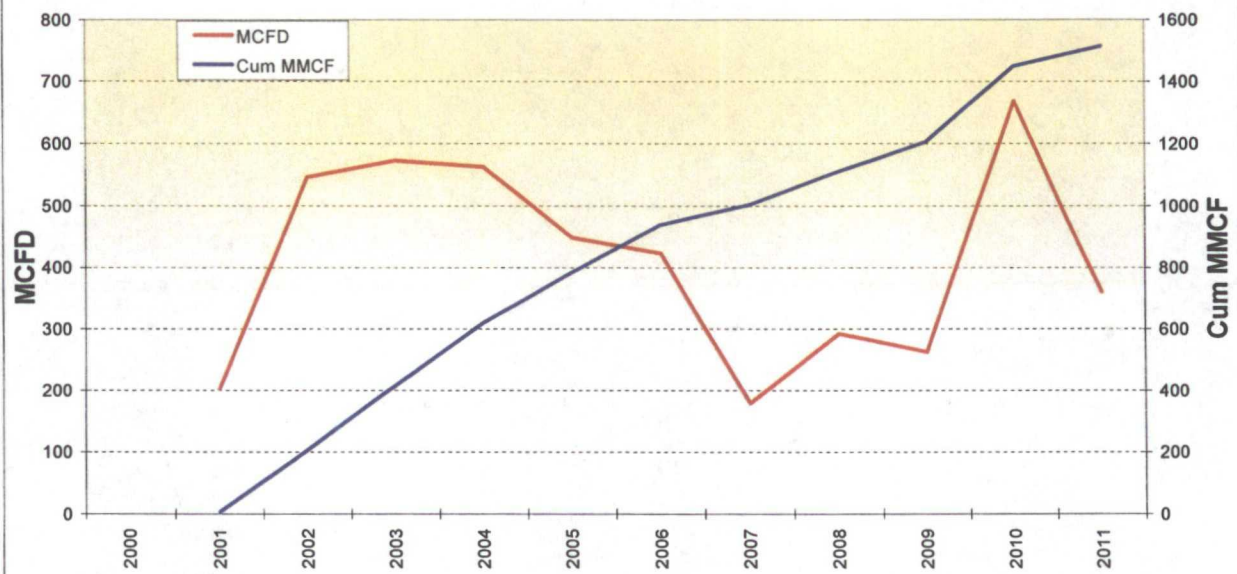
**Historical Production
Gallegos Canyon Unit
Gallup Formation**



**Historical Production
Gallegos Canyon Unit
Dakota Formation**



**Historical Production
Gallegos Canyon Unit
Chacra Formation**



	Fruitland Sand [Pulled 2010 & 2011 12-5-11]			Farmington [Pulled 2010 & 2011 12-5-11]			Fruitland Coal [Pulled 2010 & 2011 12-5-11]		
	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			15
1982	335,753	920	5,072	11,256		31			15
1983	258,817	709	5,331	7,110		19			15
1984	300,111	822	5,631	8,052		22			15
1985	616,461	1,689	6,247	8,220		23			15
1986	506,705	1,388	6,754	5,643		15			15
1987	233,206	639	6,987	4,438		12			15
1988	546,887	1,498	7,534	3,231		9			15
1989	528,369	1,448	8,062	2,226		6			15
1990	481,455	1,319	8,544	2,077		3			15
1991	311,993	855	8,856	1,002		3			21
1992	373,790	1,024	9,230	2,471		7	5,354	15	15
1993	397,986	1,090	9,628	2,239		6	338,964	929	360
1994	425,470	1,166	10,053	1,510		4	2,512,356	6,883	2,872
1995	440,904	1,208	10,494	1,877		5	4,455,745	12,208	7,328
1996	367,242	1,006	10,861	4,648		13	6,015,433	16,481	13,343
1997	338,612	928	11,200	4,897		13	5,838,946	15,997	19,182
1998	298,375	817	11,498	5,323		15	4,990,725	13,673	24,173
1999	266,631	730	11,765	5,834		16	4,177,686	11,446	28,350
2000	268,242	735	12,033	4,869		13	3,268,728	8,955	31,619
2001	275,701	755	12,309	40,582		111	3,042,401	8,335	34,662
2002	570,315	1,563	12,879	107,979		296	2,672,713	7,323	37,334
2003	650,157	1,781	13,529	81,210		222	2,467,782	6,761	39,802
2004	544,857	1,493	14,074	71,622		196	2,770,359	7,590	42,572
2005	457,764	1,254	14,532	55,585		152	2,700,274	7,398	45,273
2006	397,879	1,090	14,930	53,001		145	2,655,560	7,276	47,928
2007	330,791	906	15,260	25,514		70	2,175,195	5,959	50,104
2008	311,537	854	15,572	44,607		122	2,001,826	5,484	52,105
2009	280,097	767	15,852	34,592		95	1,629,639	4,465	53,735
2010	268,828	737	16,121	32,606		89	1,479,125	4,052	55,214
THRU JUNE 2011	121,141	669	16,242	21,467		119	1,388,416	3,804	56,603
	16,242,098			662,510			1,268,935	3,477	57,871
							58,514,560	3,553	58,515

	Pictured Cliffs [Pulled 2010 & 2011 12-5-11]				Gallup [Pulled 2010 & 2011 12-5-11]			
	BO	BOPD	CUM MBO	MCF	BO	BOPD	CUM MBO	MCF
Pre-70								
1970				37,491,422	1,610,177	126	1,610	5,988,438
1971				943,709	46,058	96	1,656	5,991
1972				1,034,632	34,902	57	1,691	5,991
1973				1,059,048	20,796	37	1,712	6,212
1974				1,100,306	13,658	40	1,726	6,279
1975				1,310,401	14,580	40	1,740	6,371
1976				1,435,831	14,475	37	1,755	6,453
1977				1,599,650	13,554	34	1,768	6,533
1978				1,651,193	12,282	30	1,780	6,614
1979				1,888,464	11,700	26	1,792	6,692
1980				1,626,471	10,882	26	1,803	6,762
1981				2,136,117	9,582	26	1,813	6,837
1982				3,429,886	9,616	26	1,822	6,903
1983				3,540,909	9,450	27	1,832	6,974
1984				3,325,643	9,926	22	1,842	7,031
1985				4,587,689	10,903	22	1,853	7,089
1986				5,867,019	8,200	18	1,861	7,156
1987				5,248,874	7,927	18	1,867	7,179
1988				1,713,913	6,565	18	1,874	7,212
1989				3,760,611	9,904	27	1,884	7,268
1990	4,259			4,111,533	5,794	16	1,890	7,302
1991				4,330,886	8,331	23	1,898	7,369
1992				2,834,298	8,191	22	1,906	7,464
1993				5,738,887	10,737	29	1,917	7,595
1994				8,418,768	9,505	26	1,926	7,730
1995				9,583,088	7,343	20	1,934	7,853
1996				10,001,354	8,941	24	1,943	8,003
1997				8,941,012	7,547	21	1,950	8,132
1998	42			7,840,701	7,932	22	1,958	8,288
1999				6,967,436	6,217	17	1,964	8,406
2000				7,516,902	5,710	16	1,970	8,530
2001				6,749,962	4,620	13	1,975	8,609
2002	2			6,853,634	2,421	7	1,977	8,683
2003	10			5,594,850	1,418	4	1,978	8,779
2004	53			5,887,930	1,651	5	1,980	8,864
2005	96			5,094,244	1,279	4	1,981	8,940
2006	133			3,964,433	1,191	3	1,983	8,999
2007	245			3,673,171	1,967	5	1,985	9,075
2008	113			2,942,287	1,292	4	1,986	9,123
2009	10			2,673,462	698	2	1,987	9,158
2010	1			2,281,315	1,114	3	1,988	9,219
2011	1			2,209,267	463	1	1,988	9,249
THRU JUNE 2011	4,965			1,050,663	144	1	1,988	9,260
				211,011,851	1,988,251			9,259,590

	Dakota [Pulled 2010 & 2011 12-5-11]					Chacra [Pulled 2010 & 2011 12-5-11]				
	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				0	
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					
2010	15,700	43	3,567	2,503,384	6,859					
THRU JUNE 2011	8,444	47	3,576	1,287,065	7,111					
	3,575,559			483,013,587						
						6,664				
						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	620
						453	1	4.4	163,920	784
						213	1	4.87	154,476	423
						519	1	5.08	65,276	179
						311	1	5.60	106,676	292
						500	1	5.91	95,669	262
						256	1	6.41	243,973	668
						6,664	1	6.66	65,290	361
									1,515,608	1,516