

BP America Production Co.  
NAG SPU/San Juan South

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March 1, 2007

Bureau of Land Management  
Farmington District Office  
1235 La Plata Highway, Suite A  
Farmington, New Mexico 87401  
Attn: Margie Dupre

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 Department  
Oil Conservation Division  
1220 South St. Francis Dr.  
Santa Fe, New Mexico 87505  
Attn: Ms. Lori Wrotenbery, Director

Re: 2006 Review of Operations  
2007 Plan of Development  
Gallegos Canyon Unit  
San Juan County, New Mexico

Gentlemen:

BP America Production Company, as Unit Operator for the Gallegos Canyon Unit, submits for your approval the attached Review of 2006 Operations and 2007 Plan of Development.

Please signify your approval of this Plan of Development by signing in the space provided on the attached sheet and returning to me at the letterhead address. If you have any questions, please feel free to call me at (281) 366-1368.

Very truly yours,

  
Julie Burns Morton

Enclosures

**GALLEGOS CANYON UNIT AREA**

**2007 PLAN OF DEVELOPMENT**

**APPROVED:** \_\_\_\_\_ **Dated:** \_\_\_\_\_

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

**APPROVED:** Ed Martin **Dated:** 3/5/07

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

**APPROVED:** \_\_\_\_\_ **Dated:** \_\_\_\_\_

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

The foregoing approvals are for the 2007 Plan of Development for the Gallegos Canyon  
Unit.

## Review of 2006 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 down hole commingled wells producing from more than one formation, Table II reflects active completions rather than wellbores. Historical production graphs for each horizon are attached.

**TABLE I**  
**Cumulative Production as of 06/30/2006**

| <b>FORMATION</b> | <b>GAS<br/>(MMCF)</b> | <b>CONDENSATE<br/>(MBLS)</b> |
|------------------|-----------------------|------------------------------|
| Farmington Sands | 478                   | 0                            |
| Fruitland Sands  | 14,836                | 0                            |
| Fruitland Coal   | 51,088                | 0                            |
| Pictured Cliffs  | 198,011               | 5                            |
| Chacra           | 847                   | 5                            |
| Gallup           | 8,987                 | 1,949                        |
| Dakota           | 470,456               | 3,504                        |

**TABLE II**  
**Production Status by Formation as of 06/30/2006**

| <b>FORMATION</b> | <b>ACTIVE</b> | <b>INACTIVE</b> |
|------------------|---------------|-----------------|
| Farmington Sands | 3             | 0               |
| Fruitland Sands  | 36            | 1               |
| Fruitland Coal   | 89            | 0               |
| Pictured Cliffs  | 147           | 2               |
| Chacra           | 6             | 0               |
| Gallup           | 6             | 0               |
| Dakota           | 187           | 1               |

## 2006 GCU Development

Table III below shows the status of each of the proposed activities from the 2006 GCU Plan of Development. As of 12/8/2006, zero new wells have been drilled and zero wells have been recompleted.

**TABLE III-A**  
**2006 Work Status**

| WELL NO.        | DEDICATION        | TYPE                             | OBJECTIVE | STATUS                 |
|-----------------|-------------------|----------------------------------|-----------|------------------------|
| GCU 004         | NE/4 34-T28N-R12W | Recomplete and commingle with FC | PC        | Deferred               |
| GCU 040         | NE/4 29-T28N-R12W | Recomplete and commingle with FC | PC        | Deferred               |
| GCU 572         | SE/4 19-T28N-R12W | Drill                            | PC        | Deferred               |
| GCU 585         | SW/4 29-T28N-R12W | Drill                            | PC        | Deferred               |
| GCU 020         | SW/4 17-T28N-R12W | Recomplete and commingle with FC | PC        | Deferred               |
| GCU 028         | NE/4 30-T29N-R12W | Recomplete and commingle with FS | PC        | Deferred               |
| GCU GC 'D' 160E | SW/4 27-T29N-R12W | Recomplete                       | CK        | Deferred               |
| GCU GC 'F' 162E | NE/4 36-T29N-R12W | Recomplete and commingle with DK | CK        | Deferred               |
| GCU GC 'G' 179E | SE/4 26-T29N-R12W | Recomplete                       | CK        | Deferred               |
| GCU GC 'I' 181  | NW/4 34-T29N-R12W | Recomplete                       | CK        | Deferred               |
| GCU 341         | NW/4 16-T28N-R12W | Recomplete and commingle with FS | PC        | Deferred               |
| GCU 584         | NW/4 18-T28N-R12W | Re-Frac                          | PC        | Moved to P&A candidate |

**TABLE III-B**  
**2006 Plug and Abandon Candidates**

| WELL NO. | DEDICATION        | CURRENT HORIZON | STATUS    |
|----------|-------------------|-----------------|-----------|
| GCU 56   | NE/4 35-T28N-R12W | FC              | Completed |
| GCU 277  | NW/4 15-T28N-R12W | PC              | Completed |
| GCU 291  | SE/4 23-T28N-R12W | FS              | Completed |
| GCU 297  | NE/4 15-T28N-R12W | PC              | Completed |

## 2007 Plan of Development

BP America will continue to develop the Fruitland Sand, Fruitland Coal, Pictured Cliffs and Chacra horizons within the Gallegos Canyon Unit through recompletions, commingling and selective drilling. However, as higher risk prospects have been carried out, the success rate has decreased dramatically. This is driving BP America to pause and assess the operating and reservoir characteristics that appear to be most controlling results. There are no planned drilling activities currently planned for 2007.

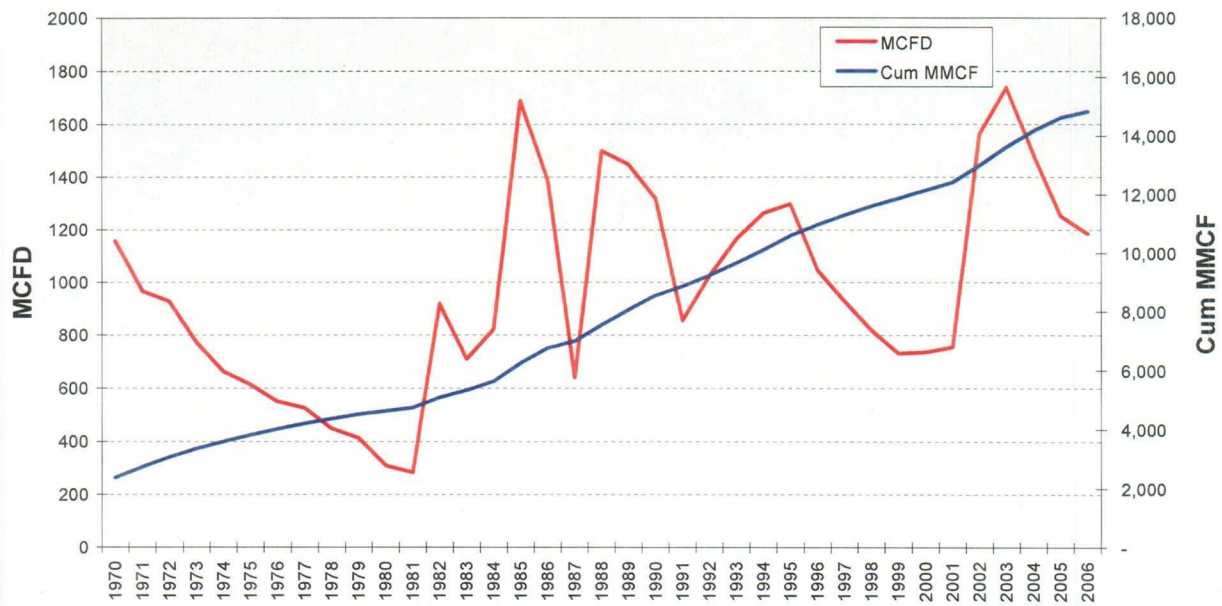
**TABLE IV**  
**2007 Development Projects**

| WELL NO. | DEDICATION        | TYPE                 | OBJECTIVE | PERMIT STATUS |
|----------|-------------------|----------------------|-----------|---------------|
|          |                   |                      |           |               |
| GCU 338  | NW/4 9-T27N-R12W  | Recomplete/commingle | PC/FC/FS  | Evaluating    |
| GCU 355  | SW/4 4- T27N-R12W | Recomplete/commingle | PC/FC/FS  | Evaluating    |
| GCU 159E | SW/4 31-T28N-R12W | Recomplete from DK   | FC        | Evaluating    |

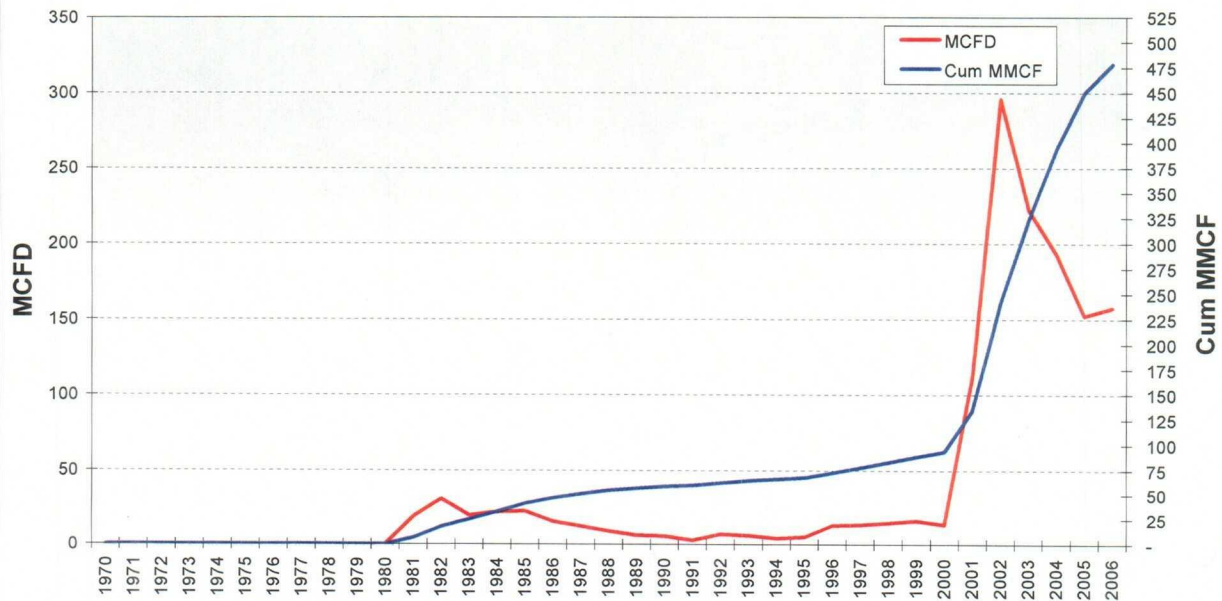
**TABLE V**  
**2007 Plug and Abandon Candidates**

| WELL NO. | DEDICATION        | CURRENT HORIZON | OTHER PRODUCED OR TESTED HORIZONS |
|----------|-------------------|-----------------|-----------------------------------|
| GCU 083  | NE/4 26-T28N-R12W | GP              | DK                                |
| GCU 584  | NW/4 18-T28N-R12W | PC              |                                   |
| GCU 196  | SW/4-19-T28N-R12W | FC              |                                   |
| GCU 311  | SW/4 14-T28N-R12W | FC/PC           |                                   |
| GCU 109  | SW/4 18-T29N-R12W | PC              |                                   |
| GCU 175  | SE/4 25-T28N-R13W | DK              |                                   |
| GCU 187  | NW/4 30-T29N-R12W | DK              |                                   |
| GCU 518  | SW/4 25-T29N-R12W | PC              |                                   |

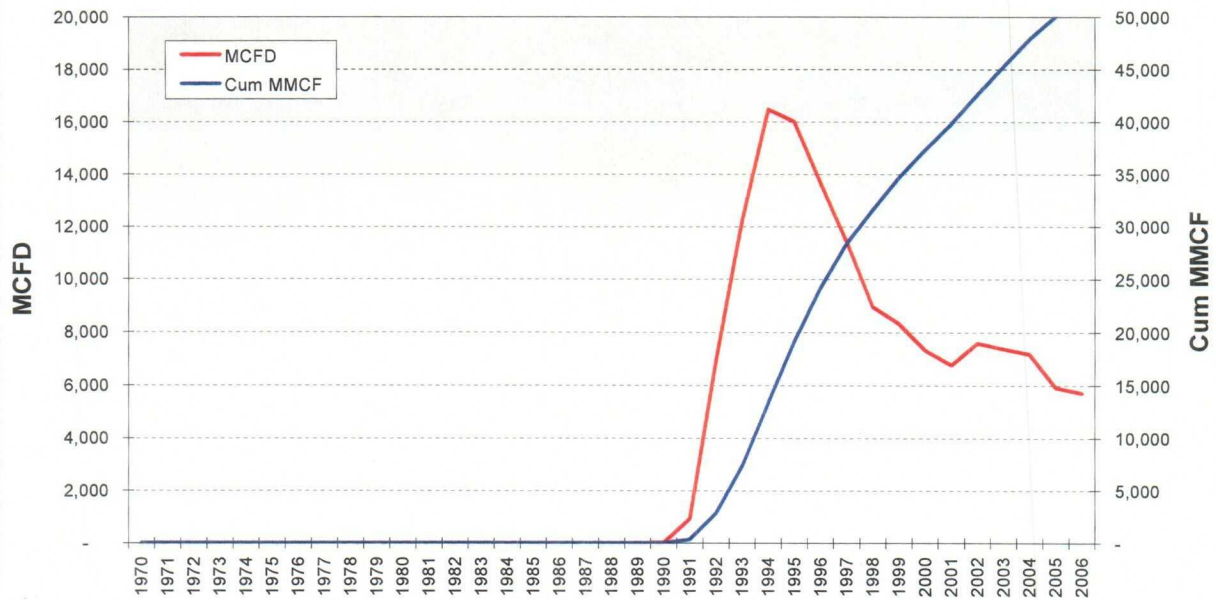
**Historical Production  
Gallegos Canyon Unit  
Fruitland Sands Formation**



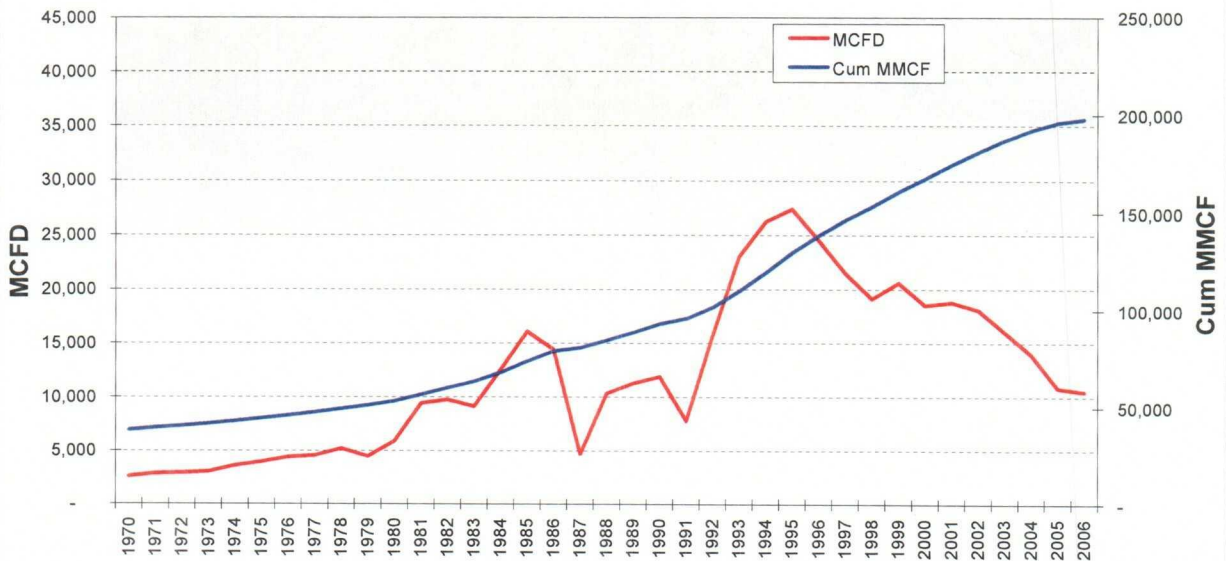
**Historical Production  
Gallegos Canyon Unit  
Farmington Sands Formation**



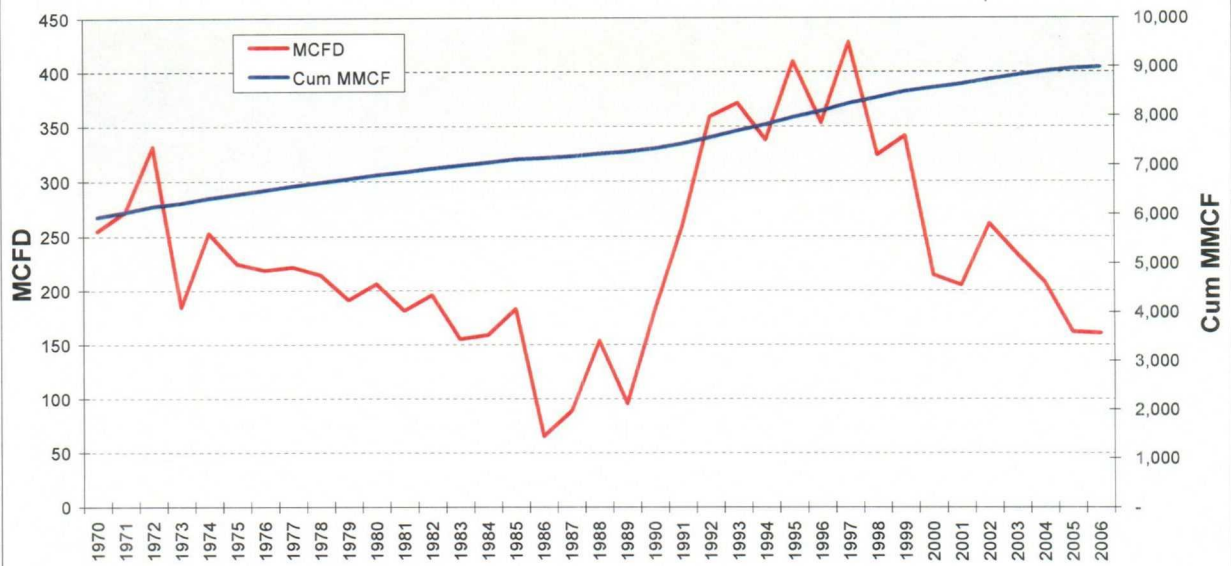
**Historical Production  
Gallegos Canyon Unit  
Fruitland Coal Formation**



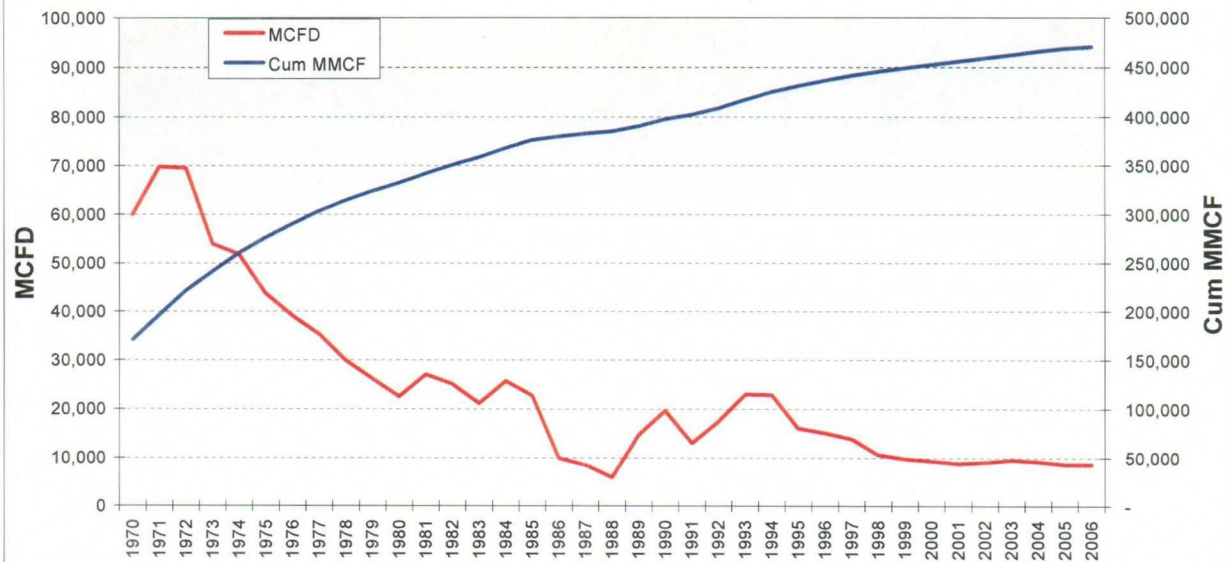
**Historical Production  
Gallegos Canyon Unit  
Pictured Cliffs Formation**



### Historical Production Gallegos Canyon Unit Gallup Formation



### Historical Production Gallegos Canyon Unit Dakota Formation



| 2001 Operations                |         |          |  |
|--------------------------------|---------|----------|--|
| FM                             | MMCF    | MBO      |  |
| Farmington Sands               | 100     |          |  |
| Fruitland Sands                | 12,215  |          |  |
| Fruitland Coal                 | 39,800  |          |  |
| Pictured Cliffs                | 174,635 | 4        |  |
| Gallup                         | 8,719   | 1,943    |  |
| Dakota                         | 455,695 | 3,412    |  |
| Production Status by Formation |         |          |  |
| FM                             | Active  | Inactive |  |
| Farmington Sands               | 1       | 1        |  |
| Fruitland Sands                | 21      | 3        |  |
| Fruitland Coal                 | 80      | 9        |  |
| Pictured Cliffs                | 128     | 21       |  |
| Gallup                         | 6       | 17       |  |
| Dakota                         | 196     | 21       |  |

| 2002 Operations                |         |          |  |
|--------------------------------|---------|----------|--|
| FM                             | MMCF    | MBO      |  |
| Farmington Sands               | 242     |          |  |
| Fruitland Sands                | 12,989  |          |  |
| Fruitland Coal                 | 42,586  |          |  |
| Pictured Cliffs                | 181,233 | 4        |  |
| Gallup                         | 8,738   | 1,945    |  |
| Dakota                         | 459,006 | 3,434    |  |
| Chacra                         | 206     | 2        |  |
| Production Status by Formation |         |          |  |
| FM                             | Active  | Inactive |  |
| Farmington Sands               | 2       | 1        |  |
| Fruitland Sands                | 26      | 1        |  |
| Fruitland Coal                 | 81      | 5        |  |
| Pictured Cliffs                | 132     | 10       |  |
| Gallup                         | 5       | 15       |  |
| Dakota                         | 204     | 4        |  |
| Chacra                         | 5       | 0        |  |

| 2003 Operations                |         |          |  |
|--------------------------------|---------|----------|--|
| FM                             | MMCF    | MBO      |  |
| Farmington Sands               | 324     |          |  |
| Fruitland Sands                | 13,624  |          |  |
| Fruitland Coal                 | 45,277  |          |  |
| Pictured Cliffs                | 187,075 | 4        |  |
| Gallup                         | 8,823   | 1,946    |  |
| Dakota                         | 462,448 | 3,456    |  |
| Chacra                         | 401     | 3        |  |
| Production Status by Formation |         |          |  |
| FM                             | Active  | Inactive |  |
| Farmington Sands               | 2       | 1        |  |
| Fruitland Sands                | 32      | 1        |  |
| Fruitland Coal                 | 88      | 3        |  |
| Pictured Cliffs                | 149     | 7        |  |
| Gallup                         | 6       | 13       |  |
| Dakota                         | 202     | 7        |  |
| Chacra                         | 6       | 0        |  |

| 2004 Operations                |         |          |  |
|--------------------------------|---------|----------|--|
| FM                             | MMCF    | MBO      |  |
| Farmington Sands               | 394     |          |  |
| Fruitland Sands                | 14,165  |          |  |
| Fruitland Coal                 | 47,899  |          |  |
| Pictured Cliffs                | 192,164 | 4        |  |
| Gallup                         | 8,899   | 1,948    |  |
| Dakota                         | 465,779 | 3,477    |  |
| Chacra                         | 606     | 4        |  |
| Production Status by Formation |         |          |  |
| FM                             | Active  | Inactive |  |
| Farmington Sands               | 3       | 0        |  |
| Fruitland Sands                | 38      | 2        |  |
| Fruitland Coal                 | 88      | 5        |  |
| Pictured Cliffs                | 146     | 10       |  |
| Gallup                         | 5       | 14       |  |
| Dakota                         | 197     | 7        |  |
| Chacra                         | 6       | 0        |  |

| 2005 Operations                |         |          |  |
|--------------------------------|---------|----------|--|
| FM                             | MMCF    | MBO      |  |
| Farmington Sands               | 450     |          |  |
| Fruitland Sands                | 14,622  |          |  |
| Fruitland Coal                 | 50,054  |          |  |
| Pictured Cliffs                | 196,116 | 5        |  |
| Gallup                         | 8,958   | 1,949    |  |
| Dakota                         | 468,906 | 3,494    |  |
| Chacra                         | 770     | 4        |  |
| Production Status by Formation |         |          |  |
| FM                             | Active  | Inactive |  |
| Farmington Sands               | 3       | 0        |  |
| Fruitland Sands                | 38      | 0        |  |
| Fruitland Coal                 | 92      | 4        |  |
| Pictured Cliffs                | 151     | 5        |  |
| Gallup                         | 5       | 14       |  |
| Dakota                         | 189     | 4        |  |
| Chacra                         | 6       | 0        |  |

| 2006 Operations                    |         |          |  |
|------------------------------------|---------|----------|--|
| Cumulative Production thru 6/30/06 |         |          |  |
| FM                                 | MMCF    | MBO      |  |
| Farmington Sands                   | 478     |          |  |
| Fruitland Sands                    | 14,836  |          |  |
| Fruitland Coal                     | 51,088  |          |  |
| Pictured Cliffs                    | 198,011 | 5        |  |
| Gallup                             | 8,987   | 1,949    |  |
| Dakota                             | 470,456 | 3,504    |  |
| Chacra                             | 847     | 5        |  |
| Production Status by Formation     |         |          |  |
| FM                                 | Active  | Inactive |  |
| Farmington Sands                   | 3       | 0        |  |
| Fruitland Sands                    | 36      | 1        |  |
| Fruitland Coal                     | 89      | 0        |  |
| Pictured Cliffs                    | 147     | 2        |  |
| Gallup                             | 6       | 0        |  |
| Dakota                             | 187     | 1        |  |
| Chacra                             | 6       | 0        |  |

|                | Fruitland Sand [Pulled 2005 & 06 11-28-06] |      |          | Farmington [Pulled 2005 & 06 11-28-06] |      |          | Fruitland Coal [Pulled 2005 & 06 11-28-06] |            |          |
|----------------|--------------------------------------------|------|----------|----------------------------------------|------|----------|--------------------------------------------|------------|----------|
|                | MCF                                        | MCFD | Cum MMCF | MCF                                    | MCFD | Cum MMCF | MCF                                        | MCFD       | Cum MMCF |
| Pre-70         | 1,954,380                                  |      | 1,954    |                                        | 83   | 0        |                                            | 15,287     | 15       |
| 1970           | 421,842                                    |      | 1,156    |                                        |      | 0        |                                            |            | 15       |
| 1971           | 352,593                                    |      | 966      |                                        |      | 0        |                                            |            | 15       |
| 1972           | 338,389                                    |      | 927      |                                        |      | 0        |                                            |            | 15       |
| 1973           | 281,816                                    |      | 772      |                                        |      | 0        |                                            |            | 15       |
| 1974           | 241,834                                    |      | 663      |                                        |      | 0        |                                            |            | 15       |
| 1975           | 223,452                                    |      | 612      |                                        |      | 0        |                                            |            | 15       |
| 1976           | 200,454                                    |      | 549      |                                        |      | 0        |                                            |            | 15       |
| 1977           | 191,668                                    |      | 525      |                                        |      | 0        |                                            |            | 15       |
| 1978           | 163,601                                    |      | 448      |                                        |      | 0        |                                            |            | 15       |
| 1979           | 150,652                                    |      | 413      |                                        |      | 0        |                                            |            | 15       |
| 1980           | 112,369                                    |      | 308      |                                        |      | 0        |                                            |            | 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        |                                            | 5,354      | 21       |
| 1991           | 311,993                                    |      | 855      | 1,002                                  |      | 3        |                                            | 338,964    | 360      |
| 1992           | 373,790                                    |      | 1,024    | 2,471                                  |      | 7        |                                            | 2,525,377  | 2,885    |
| 1993           | 425,254                                    |      | 1,165    | 2,239                                  |      | 6        |                                            | 4,455,745  | 7,341    |
| 1994           | 460,762                                    |      | 1,262    | 1,510                                  |      | 4        |                                            | 6,015,433  | 13,356   |
| 1995           | 473,429                                    |      | 1,297    | 1,877                                  |      | 5        |                                            | 5,838,946  | 19,195   |
| 1996           | 381,903                                    |      | 1,046    | 4,648                                  |      | 13       |                                            | 4,990,725  | 24,186   |
| 1997           | 338,612                                    |      | 928      | 4,897                                  |      | 13       |                                            | 4,177,686  | 28,364   |
| 1998           | 298,375                                    |      | 817      | 5,323                                  |      | 15       |                                            | 3,268,728  | 31,632   |
| 1999           | 266,631                                    |      | 730      | 5,834                                  |      | 16       |                                            | 3,042,401  | 34,675   |
| 2000           | 268,242                                    |      | 735      | 4,869                                  |      | 13       |                                            | 2,672,713  | 37,347   |
| 2001           | 275,701                                    |      | 755      | 40,582                                 |      | 111      |                                            | 2,467,782  | 39,815   |
| 2002           | 570,315                                    |      | 1,563    | 107,979                                |      | 296      |                                            | 2,770,359  | 42,586   |
| 2003           | 634,902                                    |      | 1,739    | 81,210                                 |      | 222      |                                            | 2,691,426  | 45,277   |
| 2004           | 541,424                                    |      | 1,483    | 70,369                                 |      | 193      |                                            | 2,621,624  | 47,899   |
| 2005           | 456,694                                    |      | 1,251    | 55,585                                 |      | 152      |                                            | 2,155,772  | 50,054   |
| THRU JUNE 2006 | 214,402                                    |      | 1,185    | 28,511                                 |      | 158      |                                            | 1,033,308  | 51,088   |
|                | 14,836,215                                 |      |          | 478,064                                |      |          |                                            | 51,087,630 |          |

| Pictured Cliffs [Pulled 2005 & 06 11-28-06] |      |             |        | Gallup [Pulled 2005 & 06 11-28-06] |           |         |           |
|---------------------------------------------|------|-------------|--------|------------------------------------|-----------|---------|-----------|
| BO                                          | BOPD | CUM MBO     | MCF    | BO                                 | BOPD      | CUM MBO | MCF       |
|                                             |      |             |        | 1,576,392                          |           | 1,576   | 5,857,757 |
|                                             |      | 37,489,364  | 37,489 |                                    |           |         |           |
| -                                           |      | 943,709     | 2,586  | 38,433                             | 46,058    | 126     | 92,973    |
| -                                           |      | 1,034,632   | 2,835  | 39,468                             | 34,902    | 96      | 99,385    |
| -                                           |      | 1,059,048   | 2,902  | 40,527                             | 20,796    | 57      | 121,034   |
| -                                           |      | 1,100,306   | 3,015  | 41,627                             | 13,658    | 37      | 67,292    |
| -                                           |      | 1,310,401   | 3,590  | 42,937                             | 14,580    | 40      | 92,293    |
| -                                           |      | 1,435,831   | 3,934  | 44,373                             | 14,475    | 40      | 81,870    |
| -                                           |      | 1,599,650   | 4,383  | 45,973                             | 13,554    | 37      | 79,700    |
| -                                           |      | 1,651,193   | 4,524  | 47,624                             | 12,282    | 34      | 80,880    |
| -                                           |      | 1,888,464   | 5,174  | 49,513                             | 11,700    | 32      | 78,137    |
| -                                           |      | 1,626,471   | 4,456  | 51,139                             | 10,882    | 30      | 69,736    |
| -                                           |      | 2,136,117   | 5,852  | 53,275                             | 9,582     | 26      | 75,193    |
| -                                           |      | 3,429,886   | 9,397  | 56,705                             | 9,616     | 26      | 66,153    |
| -                                           |      | 3,540,909   | 9,701  | 60,246                             | 9,450     | 26      | 71,376    |
| -                                           |      | 3,325,643   | 9,111  | 63,572                             | 9,926     | 27      | 56,586    |
| -                                           |      | 4,587,689   | 12,569 | 68,159                             | 10,903    | 30      | 57,981    |
| -                                           |      | 5,867,019   | 16,074 | 74,026                             | 8,200     | 22      | 66,666    |
| -                                           |      | 5,248,874   | 14,380 | 79,275                             | 6,565     | 18      | 23,668    |
| -                                           |      | 1,713,913   | 4,696  | 80,989                             | 6,535     | 18      | 32,197    |
| -                                           |      | 3,760,611   | 10,303 | 84,750                             | 9,904     | 27      | 56,000    |
| 4,259                                       |      | 4,111,533   | 11,264 | 88,861                             | 5,794     | 16      | 34,723    |
| 4.26                                        |      | 4,330,886   | 11,865 | 93,192                             | 8,331     | 23      | 66,462    |
| 4.26                                        |      | 2,834,298   | 7,765  | 96,026                             | 8,191     | 22      | 94,806    |
| 4.26                                        |      | 5,738,887   | 15,723 | 101,765                            | 10,737    | 29      | 130,956   |
| 4.26                                        |      | 8,418,768   | 23,065 | 110,184                            | 9,505     | 26      | 135,516   |
| 4.26                                        |      | 9,583,068   | 26,255 | 119,767                            | 7,343     | 20      | 123,202   |
| 4.26                                        |      | 10,001,354  | 27,401 | 129,769                            | 8,941     | 24      | 149,563   |
| 4.26                                        |      | 8,941,012   | 24,496 | 138,710                            | 7,547     | 21      | 128,882   |
| 4.30                                        |      | 7,840,701   | 21,481 | 146,550                            | 7,932     | 22      | 156,012   |
| 4.30                                        |      | 6,967,436   | 19,089 | 153,518                            | 6,217     | 17      | 118,175   |
| 4.30                                        |      | 7,516,902   | 20,594 | 161,035                            | 5,710     | 16      | 124,538   |
| 4.30                                        |      | 6,749,962   | 18,493 | 167,785                            | 4,620     | 13      | 78,180    |
| 4.30                                        |      | 6,853,634   | 18,777 | 174,638                            | 2,421     | 7       | 74,735    |
| 4.31                                        |      | 6,594,850   | 18,068 | 181,233                            | 1,418     | 4       | 95,328    |
| 4.38                                        |      | 5,841,772   | 16,005 | 187,075                            | 1,628     | 4       | 85,165    |
| 4.47                                        |      | 5,089,271   | 13,943 | 192,164                            | 1,277     | 3       | 75,762    |
| 133                                         |      | 3,951,448   | 10,826 | 196,116                            | 1,191     | 3       | 58,944    |
| 150                                         |      | 1,895,579   | 10,473 | 198,011                            | 591       | 3       | 28,983    |
| 4.755                                       |      |             |        |                                    |           |         |           |
|                                             |      | 198,011,091 |        |                                    | 1,944,667 |         | 8,986,809 |

