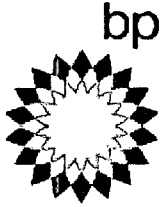


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BP America Production Co.
NAG SPU/San Juan South

2008 MAR 3 PM 1 33

Julie Burns Morton, CPL
281-366-4528 (direct)
281-366-7836 (fax)

P. O. Box 3092
Houston, Texas 77253-3092
501 Westlake Park Boulevard
Houston, Texas 77079

March 1, 2008

Bureau of Land Management
Farmington District Office
1235 La Plata Highway, Suite A
Farmington, New Mexico 87401
Attn: 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 Department
Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, New Mexico 87505
Attn: Ms. Lori Wrotenbery, Director

Re: 2007 Review of Operations
2008 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 2007 Operations and 2008 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) 366-4528.

Very truly yours,

A handwritten signature in cursive script that reads "Julie Burns Morton".
Julie Burns Morton

Enclosures

GALLEGOS CANYON UNIT AREA

2008 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:_____ **Dated:**_____

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 2008 Plan of Development for the Gallegos Canyon
Unit.

Review of 2007 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 08/31/2007

FORMATION	GAS (MMCF)	CONDENSATE (MBLS)
Farmington Sands	521	0
Fruitland Sands	15,241	0
Fruitland Coal	53,124	0
Pictured Cliffs	207,791	5
Chacra	966	5
Gallup	9,109	1,986
Dakota	473,394	3,520

TABLE II
Production Status by Formation as of 08/31/2007

FORMATION	ACTIVE	INACTIVE
Farmington Sands	3	0
Fruitland Sands	34	1
Fruitland Coal	88	0
Pictured Cliffs	144	1
Chacra	6	0
Gallup	5	0
Dakota	185	2

2007 GCU Development

Table III below shows the status of each of the proposed activities from the 2007 GCU Plan of Development. As of 12/8/2007, zero new wells have been drilled and one well has been recompleted.

TABLE III-A
2007 Work Status

WELL NO.	DEDICATION	TYPE	OBJECTIVE	STATUS
GCU 338	NW/4 9-T27N-R12W	Recomplete/commingle	PC/FC/FS	Recompleted to FC 4/07g
GCU 355	SW/4 4- T27N-R12W	Recomplete/commingle	PC/FC/FS	Repaired in the PC 5/07g
GCU 159E	SW/4 31-T28N-R12W	Recomplete from DK	FC	Evaluating

TABLE III-B
2007 Plug and Abandon Candidates

WELL NO.	DEDICATION	CURRENT HORIZON	STATUS
GCU 083	NE/4 26-T28N-R12W	GP	P&A 10/11/07
GCU 584	NW/4 18-T28N-R12W	PC	P&A 3/19/07
GCU 196	SW/4-19-T28N-R12W	FC	P&A 4/26/07
GCU 311	SW/4 14-T28N-R12W	FC/PC	P&A 4/19/07
GCU 109	SW/4 18-T29N-R12W	PC	Returned to Production
GCU 175	SE/4 25-T28N-R13W	DK	P&A planned 2008
GCU 187	NW/4 30-T29N-R12W	DK	P&A 11/7/07
GCU 518	SW/4 25-T29N-R12W	PC	P&A 6/8/07
GCU 202 (*)	NE/4 33-T29N-R12W	PC/FC	P&A 7/13/07
GCU 267 (*)	NE/4 23-T28N-R12W	FS/PC	P&A 7/10/07

(*) Not originally a 2007 P&A Candidate

2008 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 2008.

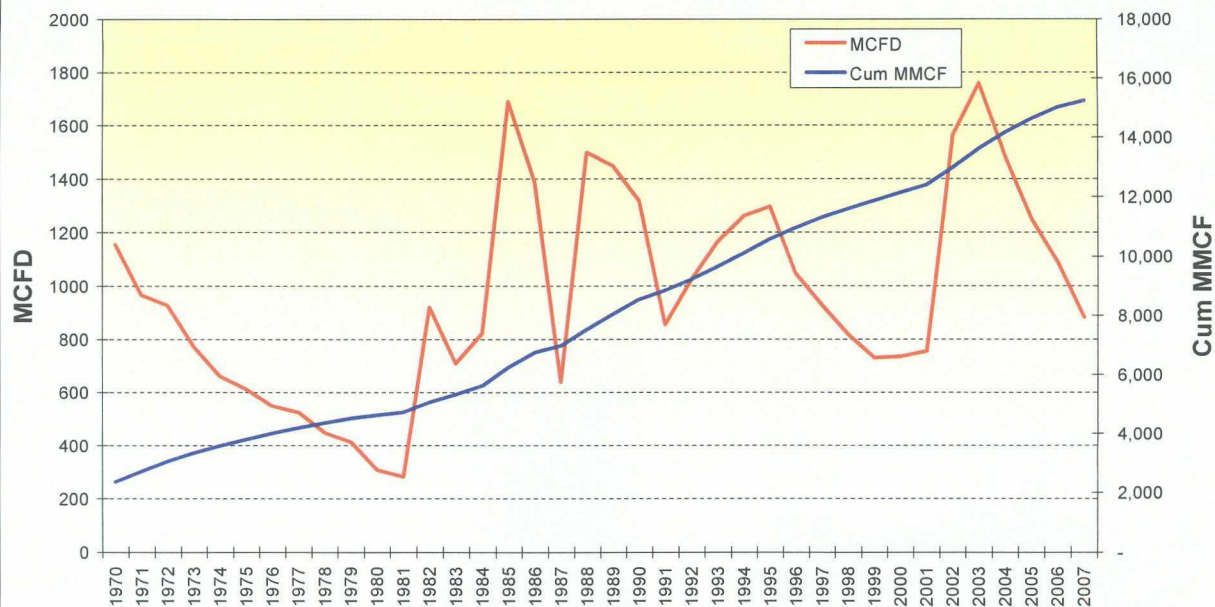
TABLE IV
2008 Development Projects

WELL NO.	DEDICATION	TYPE	OBJECTIVE	PERMIT STATUS
GCU 169	SW/4 35-T29N R12W	Recomplete/commingle	PC/FC/FS	Evaluating
GCU 338	NW/4 9-T27N-R12W	Recomplete/commingle	PC/FC	Evaluating
GCU 160E	SW/4 27-T29N-R12W	Recomplete from DK	PC	Evaluating
GCU Com G 179	SW/4 26-T29N-R12W	Recomplete from DK	PC	Evaluating

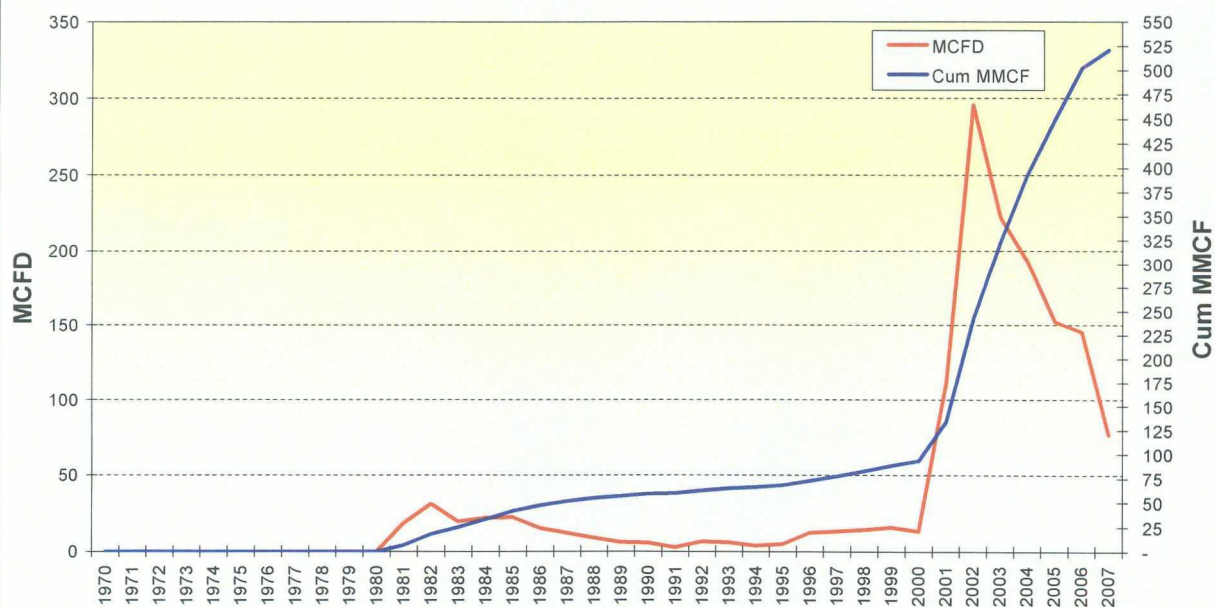
TABLE V
2008 Plug and Abandon Candidates

WELL NO.	DEDICATION	CURRENT HORIZON	OTHER PRODUCED OR TESTED HORIZONS
GCU 166	SW/4 34-T28N-R12W	DK	
GCU 175	SE/4 25-T28N-R13W	DK	
GCU 262	SW/4 24-T29N-R13W	DK	
GCU 209E	NW/4 15-T28N-R12W	DK	
GCU 182	SE/4 19-T28N-R11W	FT	DK
GCU 289	SW/4 8-T28N-R12W	PC	
Callow 8	SE/4 27-T29N-R13W	DK	
Callow 9	SE/4 28-T29N-R13W	DK	
GCU 322	NE/4 31-T29N R12W	PC	
GCU 561	SW/4 21-T29N R12W	PC	
GCU 230E	SE/4 23-T28N-R12W	Gallup	
GCU 400	NW/4 25-T28N-R12W	DK	
GCU 325	NW/4 35-T29N-R13W	PC	
GCU 167E	NE/4 18-T28N-R11W	DK	

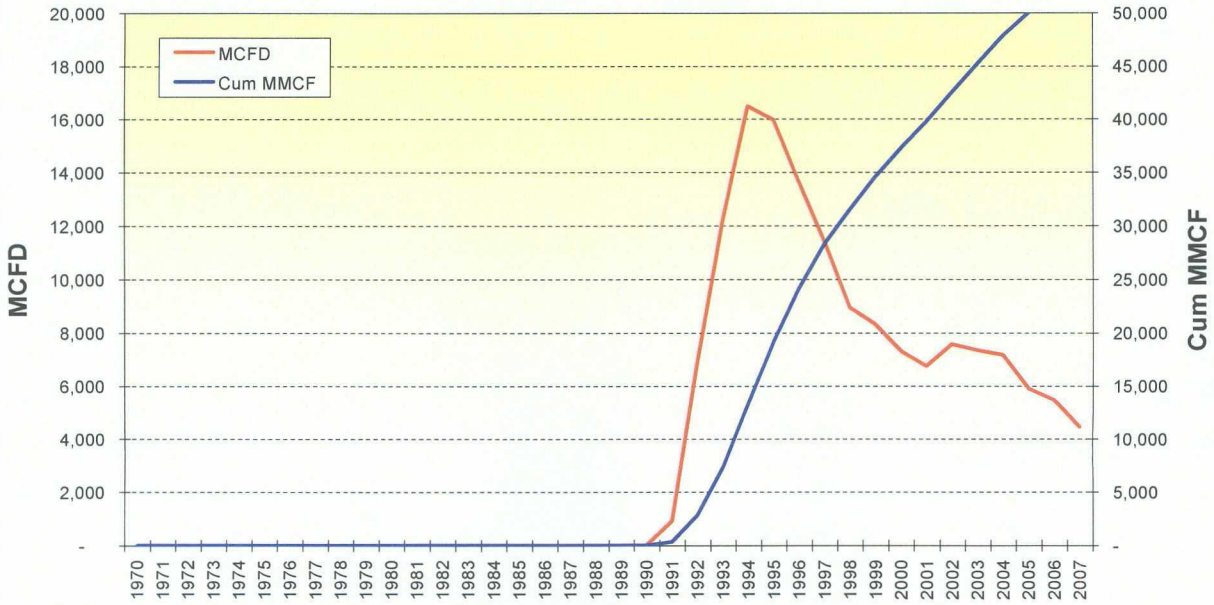
**Historical Production
Gallegos Canyon Unit
Fruitland Sands Formation**



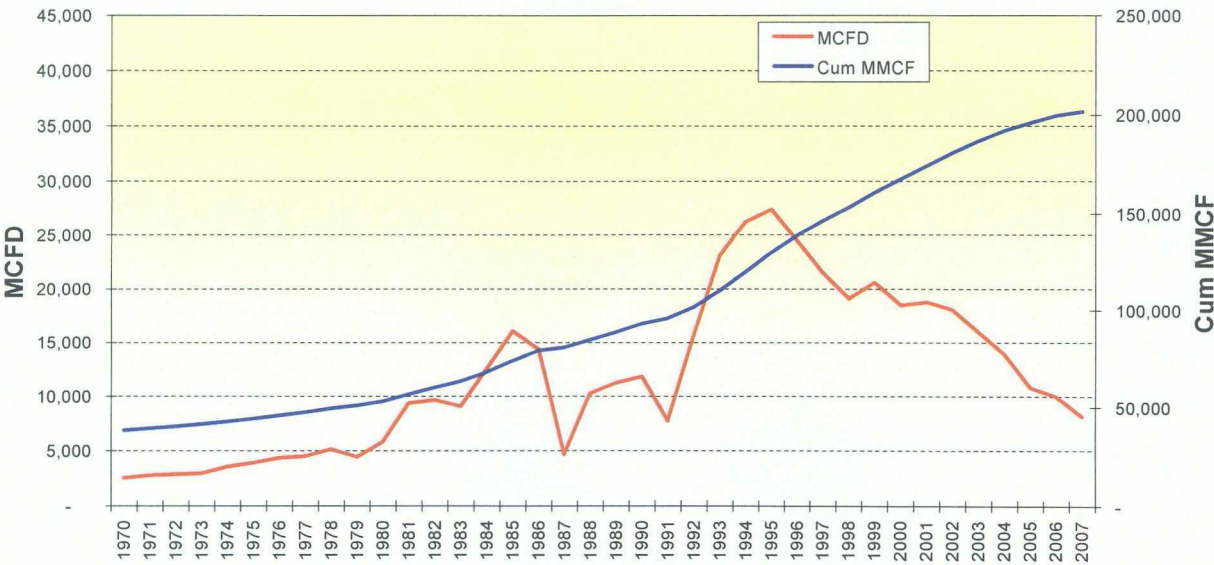
**Historical Production
Gallegos Canyon Unit
Farmington Sands Formation**



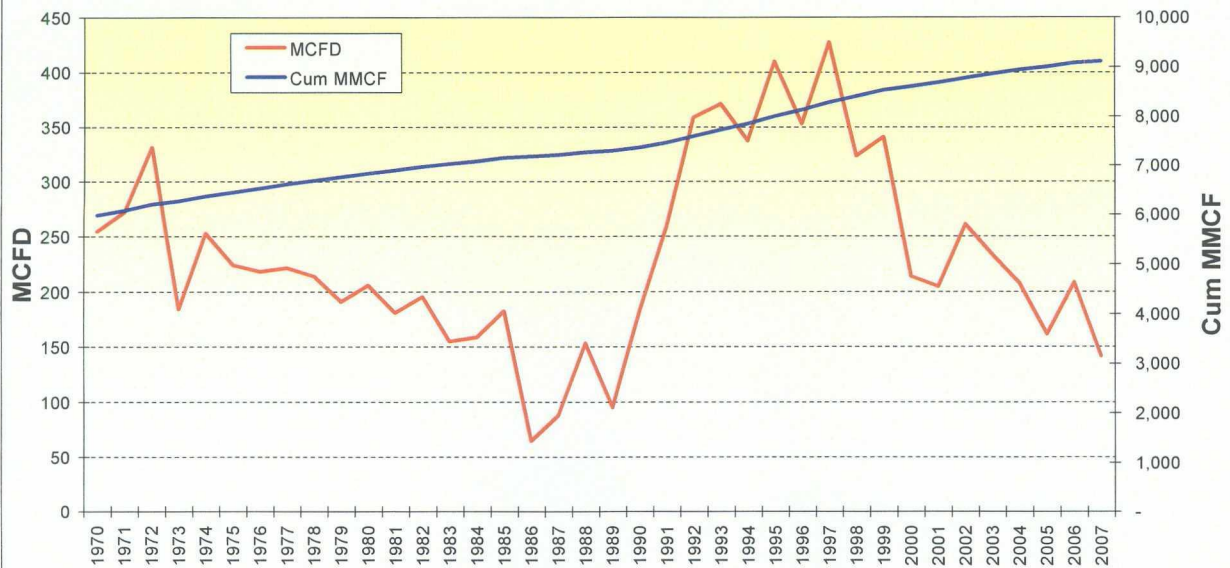
**Historical Production
Gallegos Canyon Unit
Fruitland Coal Formation**



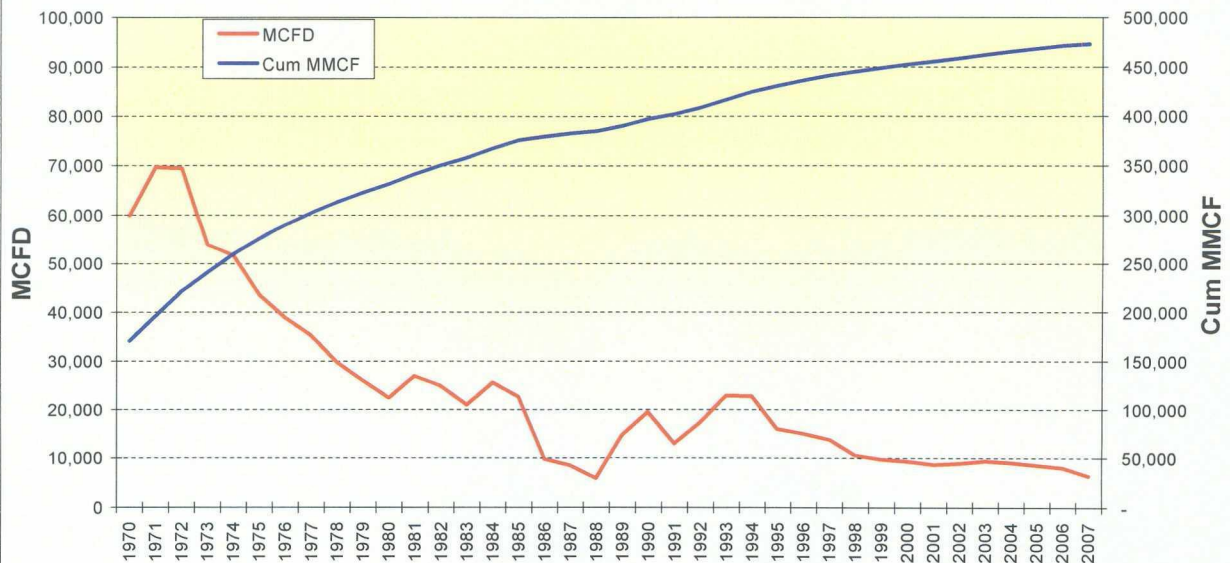
**Historical Production
Gallegos Canyon Unit
Pictured Cliffs Formation**



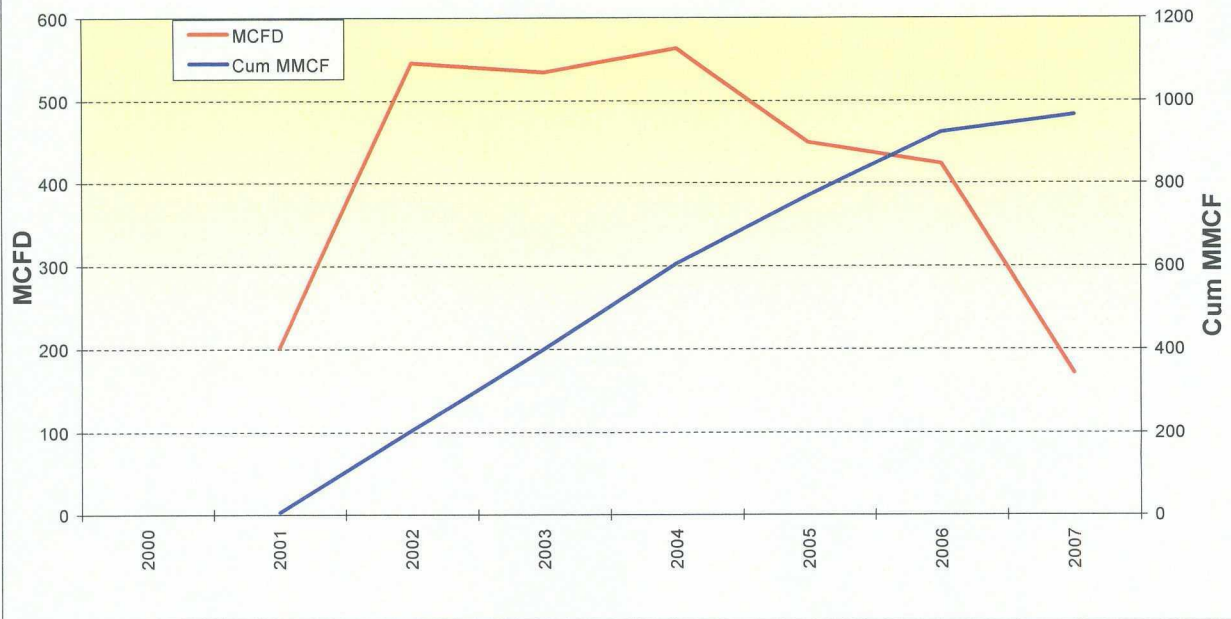
Historical Production Gallegos Canyon Unit Gallup Formation



Historical Production Gallegos Canyon Unit Dakota Formation



**Historical Production
Gallegos Canyon Unit
Chacra Formation**



	Fruitland Sand [Pulled 2006 & 07 12-20-07]			Farmington [Pulled 2006 & 07 12-20-07]			Fruitland Coal [Pulled 2006 & 07 12-20-07]		
	MCF	MCFD	Cum MMCF	MCF	MCFD	Cum MMCF	MCF	MCFD	Cum MMCF
Pre-70	1,954,380		1,954			-	15,287		15
1970	421,842		1,156		-	-		-	15
1971	352,593		966		-	-		-	15
1972	338,389		927		-	-		-	15
1973	281,816		772		-	-		-	15
1974	241,834		663		-	-		-	15
1975	223,452		612		-	-		-	15
1976	200,454		549		-	-		-	15
1977	191,668		525		-	-		-	15
1978	163,601		448		-	-		-	15
1979	150,652		413		-	-		-	15
1980	112,369		308		-	-		-	15
1981	102,972		282	6,822	19	7		-	15
1982	335,753		920	11,256	31	18		-	15
1983	258,817		709	7,110	19	25		-	15
1984	300,111		822	8,052	22	33		-	15
1985	616,461		1,689	8,220	23	41		-	15
1986	506,705		1,388	5,643	15	47		-	15
1987	233,206		639	4,438	12	52		-	15
1988	546,887		1,498	3,231	9	55		-	15
1989	528,369		1,448	2,226	6	57		-	15
1990	481,455		1,319	2,077	6	59	5,354	15	21
1991	311,993		855	1,002	3	60	338,964	929	360
1992	373,790		1,024	2,471	7	63	2,512,356	6,883	2,872
1993	425,254		1,165	2,239	6	65	4,455,745	12,208	7,328
1994	460,762		1,262	1,510	4	66	6,015,433	16,481	13,343
1995	473,429		1,297	1,877	5	68	5,838,946	15,997	19,182
1996	381,903		1,046	4,648	13	73	4,990,725	13,673	24,173
1997	338,612		928	4,897	13	78	4,177,686	11,446	28,350
1998	298,375		817	5,323	15	83	3,268,728	8,955	31,619
1999	266,631		730	5,834	16	89	3,042,401	8,335	34,662
2000	268,242		735	4,869	13	94	2,672,713	7,323	37,334
2001	275,701		755	40,582	111	134	2,467,782	6,761	39,802
2002	570,315		1,563	107,979	296	242	2,770,359	7,590	42,572
2003	642,463		1,760	81,210	222	324	2,685,463	7,357	45,258
2004	541,424		1,483	70,369	193	394	2,621,624	7,183	47,880
2005	456,694		1,251	55,585	152	449	2,155,772	5,906	50,035
2006	396,856		1,087	53,001	145	502	2,004,760	5,492	52,040
THRU AUG 2007	214,375		882	18,640	77	521	1,084,326	4,462	53,124
	15,240,605			521,111			53,124,424		

