

BP America Production Company (BP) is applying to the COGCC for a new pad located in the SW/4 of Section 7, T32N, R5W to accommodate the proposed Marquez A2 & Luchini 32-6-12 2 wells. These wells will be multi-lateral wells which will separately develop minerals in two adjacent 320 acre spacing units.

- The Marquez A2 will be an on-unit well with bottom holes from multiple laterals that are planned to be drilled eastward with the bottom hole locations in the NE/4 of Section 7. The entire Marquez A2 well is planned to be drilled in the drilling window of N/2 of Section 7, T32N, R5W.
- The Luchini 32-6-12 2 will be an off-unit/off lease well with bottom holes from multiple laterals that are planned to be drilled southwestward with the bottom hole locations in the SW/4 of Section 12. The entire Luchini 32-6-12 2 well is planned to produce from the drilling window of S/2 of Section 12, T32N, R6W.

Figure 1 shows the proposed surface location and placement of the wells.



FIGURE 1 - MARQUEZ A 2 / LUCHINI 32-6-12 2 SURFACE LOCATION AND LATERAL PLACEMENT

Order 112-215 which authorized Fruitland Coal in-fill development in the S/2 of Section 12 – T32N – R6W and the N/2 Section 7 – T32N – R5W limits the number of Fruitland Coal well pads to four per governmental section. There are already four existing pads in the section where the proposed pad is located. Figure 2 shows the existing and permitted surface locations in Section 12 – T32N – R6W and Section 7 – T32N – R5W.

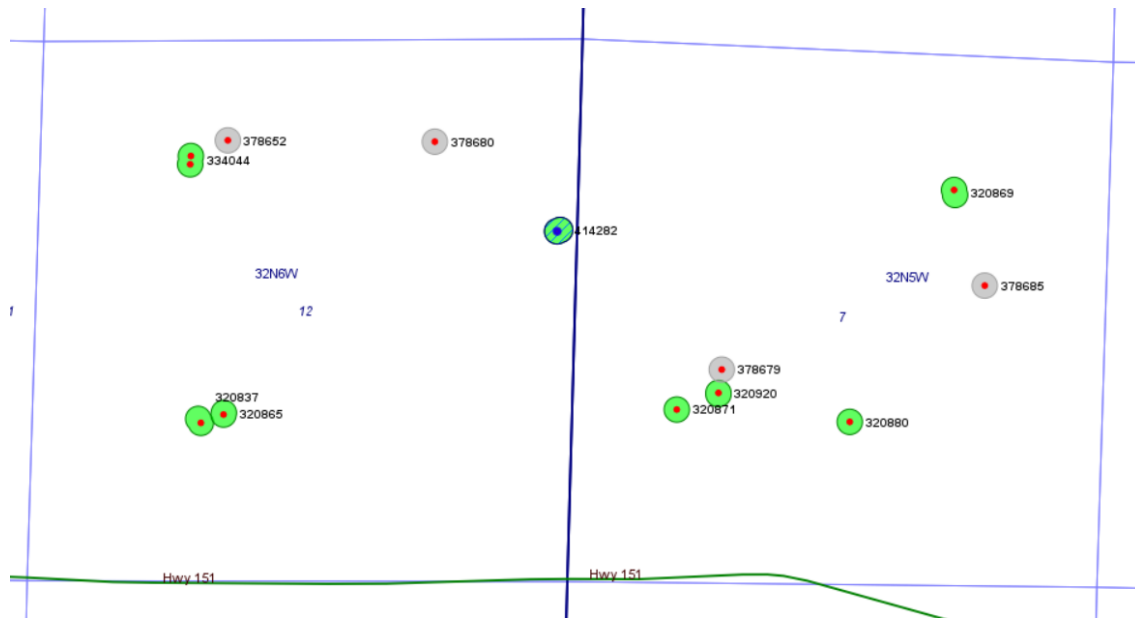


FIGURE 2 - EXISTING AND APPROVED SURFACE LOCATIONS

Three of the existing pads in the section were built by other operators in the years 2001, 2003 and 2009, and are all currently operated by Southland Royalty Company LLC. These three locations are located in close proximity to each other, but were permitted and built as individual pads in the S/2 of Section 7. The location of these pads would not be suitable for drilling the of the Marquez A 2 due to the amount of drilling step-out required to access the minerals in the N/2 of Section 7. BP considered expanding the remaining pad in the section, the Marquez A1 pad, to accommodate the Marquez A 2 well, however the surface owner was against pad expansion and the location would have required a setback waiver from an adjacent landowner.

BP also explored several other options to avoid the need for a fifth pad in Section 7. A location in the NW/4 SW/4 of Section 12 was considered, but this was an off-unit location for the Marquez A 2 and the landowner was resistant to development. An expansion of the existing pad for the Luchini 32-6-12 1 well in Section 12 was also investigated but adjacent wetlands made expansion unfeasible.

As a result, BP is seeking an exception to allow construction of a new fifth pad in Section 7 – T3N – R5W. The proposed new pad location is ideal for the following reasons:

- Surface disturbance is reduced and consolidated by accommodating two wells that develop minerals in two different spacing units potentially eliminating the need for a new pad to access minerals in S/2 of Section 12.
- There are no significant topographic challenges and the location is not subject to flooding or other hazards.
- BP successfully negotiated a surface use agreement with the landowner
- BP obtained a major facility permit from Archuleta County granting an exception to the County Code which would allow construction of a fifth pad in this section.
- The only residence in close proximity to this location is 781 feet away and belongs to the landowner that negotiated the surface use agreement for the pad. There is significant natural growth between the proposed pad location and the subject residence to provide a natural buffer for impacts from the facility such as visual, sound, and air.