

RCVD DEC21'06

OIL CONSV. DIV.
DIST. 3



United States Department of the Interior

BUREAU OF INDIAN AFFAIRS
Navajo Region
P.O. Box 1060
Gallup, New Mexico 87305

IN REPLY REFER TO:
Real Estate Services/N425

DEC 06 2006

RECEIVED

DEC 12 2006

Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505

State of New Mexico
Energy Minerals and Natural Resources
Oil Conservation Division
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Dear Sir:

An administrative review has been conducted on the following proposed Application for Permit to Drill (APD) submitted by **Merrion Oil & Gas Corporation**.

30-045-33757

Reggae COM #1, State Lease No: SL-EO-9895. The proposed gas well is described as 720' FNL / 1760' FEL, located in Section 16, T26N, R11W, San Juan County, New Mexico. Included in the approved disturbance is a well pad containing 0.40 acres and pipeline corridor of 0.05 acres, for a combined total of 0.45 acres, more or less. This location is on the Navajo Trust Lands and within the Navajo Indian Irrigation Project (NIIP) designated boundaries.

Resolution of the Resources Committee of the Navajo Nation Council No: **RCAP-68-06** passed on **April 13, 2006**, approved the enclosed **Merrion Oil & Gas Corporation's APD**. On October 26, 2006, the Navajo Nation Land Department sent the enclosed letter to Bureau of Indian Affairs (BIA), correcting the State Lease Number on Navajo Nation Resolution RCAP-68-06 dated April 13, 2006.

Please note that the Resources Committee set certain terms and conditions which must be followed. The Navajo Nation Environmental Protection Agency also set specific terms and conditions which must be followed. Other required clearances from the Navajo Nation have been obtained and are on file.

We recommend approval of the above referenced application, provided enclosed Bureau of Indian Affairs and the Navajo Nation stipulations are adhered to and made a part of the drilling plan.

Any questions regarding this application may be directed to Mr. Chuck Yarbrough, Realty Specialist, Branch of Leases/Permits Section (Minerals) at 928/871-5922.

Sincerely,

A handwritten signature in black ink, appearing to read "F. D. Smith", written over a horizontal line.

Acting Regional Director

Enclosures

cc: Merrion Oil & Gas Corporation, 610 Reilly Avenue, Farmington, NM 87401
Permits West, Inc., 37 Verano Loop, Santa Fe, New Mexico 87508
Navajo Nation, Attn: Minerals Department
Navajo Nation, Division of Natural Resources, Attn: Project Review Office



**THE
NAVAJO
NATION**

P.O. Box 9000 • WINDOW ROCK, ARIZONA • 86515

PRESIDENT
JOE SHIRLEY, JR.
VICE PRESIDENT
FRANK J. DAYISH, JR.

October 26, 2006

Ms. Elouise Chicharello, Regional Director
Bureau of Indian Affairs
Navajo Region
Post Office Box 1060
Gallup, New Mexico 87305

RE: Amendment for Application for Permit to Drill Approved for Merrion Oil & Gas Corporation within Navajo Indian Irrigation Project, San Juan County, New Mexico.

Dear Ms. Chicharello:

On July 13, 2006, the Resources Committee of the Navajo Nation Council approved the Application for Permit to Drill package for Merrion Oil & Gas Corporation:

Resolution Number RCAP-68-06, entitled "Approving an Application for Permit to Drill and Sundry Notice to Merrion Oil & Gas Corporation to drill, construct, operate and maintain the "Reggae Com No. 1" Gas Well, Pipeline and Ancillary Facilities on State Lease No. NMSF-EO-9895 on, over and across Navajo Nation Trust Lands within the Navajo Indian Irrigation Project, San Juan County, Navajo Nation (New Mexico)."


The Bureau of Indian Affairs (BIA) requested correction on the wrong lease number from NMSF-EO-9895 to SL-EO-9895 as explained in the BIA letter dated June 01, 2006 attached hereto and made a part hereof.

The Project Review Section with the Navajo Land Department has made the necessary correction and determined that no further action is necessary.

Pursuant to Resources Committee Resolution No. RCS-121-06 which authorized the Navajo Land Department (NLD) Program Director to approve Applications for Permit to Drill subject to, but not limited to the terms and conditions attached to said delegation as EXHIBIT "B".

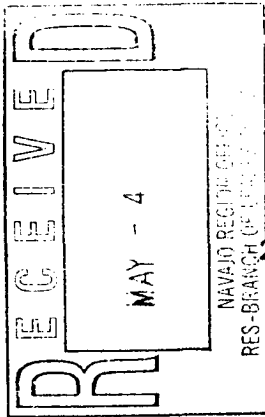
Sincerely

THE NAVAJO NATION



W. Mike Halona, Department Manager III
Navajo Land Department

ENCLOSURES
Cc: project file



**RESOLUTION OF THE RESOURCES COMMITTEE
OF THE NAVAJO NATION COUNCIL**

20th NAVAJO NATION COUNCIL - Fourth Year, 2006

AN ACTION

RELATING TO NATURAL RESOURCES; APPROVING AN APPLICATION FOR
PERMIT TO DRILL AND SUNDRY NOTICE TO MERRION OIL AND GAS
CORPORATION TO DRILL, CONSTRUCT, OPERATE, AND MAINTAIN THE
"REGGAE COM NO. 1" GAS WELL, PIPELINE AND ANCILLARY
FACILITIES ON STATE MINERAL LEASE NO. NMSF-EO-9895 ON, OVER
AND ACROSS NAVAJO NATION TRUST LANDS WITHIN THE NAVAJO
INDIAN IRRIGATION PROJECT, SAN JUAN COUNTY, NAVAJO NATION
(NEW MEXICO)

BE IT ENACTED:

1. The Navajo Nation hereby approves an Application for Permit to Drill to Merrion Oil and Gas Corporation to drill, construct, operate, and maintain the "Reggae Com No. 1" gas well, pipeline and ancillary facilities on State Mineral Lease No. NMSF-EO-9895 on, over and across Navajo Nation Trust lands within the Navajo Indian Irrigation Project, San Juan County, Navajo Nation (New Mexico), attached hereto and incorporated herein as Exhibits "A" through "D".


2. The Navajo Nation hereby approves an Application for Permit to Drill to Merrion Oil and Gas Corporation, subject to, but not limited to, the terms and conditions contained in Exhibit "D", attached hereto and incorporated herein by reference.

3. The Navajo Nation hereby authorizes the President of the Navajo Nation to execute any and all documents necessary to effectuate the intent and purpose of this resolution.

CERTIFICATION

I hereby certify that the foregoing resolution was duly considered by the Resources Committee of the Navajo Nation Council at a duly called meeting at Window Rock,

Navajo Nation (Arizona), at which a quorum was present and that same was passed by a vote of 5 in favor, 0 opposed and 0 abstained, this 13th day of April, 2006.



George Arthur, Chairperson
Resources Committee

Motion: Herman Daniels
Second: Harry J. Goldtooth

RESOLUTION OF THE RESOURCES COMMITTEE
OF THE NAVAJO NATION COUNCIL

20th NAVAJO NATION COUNCIL - Fourth Year, 2006

AN ACTION

RELATING TO RESOURCES; RESCINDING THE "NAVAJO NATION PROCEDURES FOR REVIEW AND APPROVAL OF APPLICATIONS FOR PERMIT TO DRILL OIL AND GAS WELLS ON NAVAJO NATION LANDS", AS PROMULGATED BY RCJY-157-94 AND AS AMENDED BY RCAU-187-95; AND ADOPTING THE NEW "NAVAJO NATION PROCEDURES FOR THE REVIEW AND APPROVAL OF APPLICATIONS FOR PERMIT TO DRILL OIL AND GAS WELLS AND TO CONSTRUCT ASSOCIATED ANCILLARY FACILITIES ON NAVAJO NATION LANDS", DELEGATING THE AUTHORITY TO APPROVE SAME TO THE DIRECTOR OF THE NAVAJO NATION MINERALS DEPARTMENT, AND TO THE DEPARTMENT MANAGER OF THE NAVAJO NATION LAND DEPARTMENT

BE IT ENACTED:

1. The Navajo Nation hereby rescinds the "Navajo Nation Procedures for Review and Approval of Applications for Permit to Drill Oil and Gas Wells on Navajo Nation Lands", as promulgated by resolution RCJY-157-94 and as amended by resolution RCAU-187-95.

2. The Navajo Nation hereby approves, adopts and implements from this day forward "Navajo Nation Procedures for the Review and Approval of Applications for Permit to Drill Oil and Gas Wells and for the Construction of Associated Ancillary Facilities on Navajo Nation Lands", attached hereto and incorporated herein as Exhibit "A".

3. The Navajo Nation hereby delegates pursuant to 2 N.N.C. § 695 (B) the authority to approve applications for permit to drill oil and gas wells and for the construction of associated ancillary facilities to the Director of the Navajo Nation Minerals Department and the Department Manager of the Navajo Land Department, consistent with the procedures attached hereto as Exhibit "A" and applicable laws and regulations.

Exhibit "A"

NAVAJO NATION PROCEDURES FOR THE REVIEW AND APPROVAL OF APPLICATIONS FOR PERMIT TO DRILL OIL AND GAS WELLS AND TO CONSTRUCT ASSOCIATED ANCILLARY FACILITIES ON NAVAJO NATION LANDS ADOPTED BY RESOLUTION NO. RCS-121-06

1.0 Introduction

Existing procedures for the review and approval of Applications for Permit to Drill ("APDs") for oil and gas wells on Navajo Nation Lands were promulgated by the Resources Committee of the Navajo Nation Council in Resolution No. RCJY-157-94. These procedures were subsequently amended on August 10, 1995, by Resolution No. RCAU-187-95, to include procedures for review and processing of APDs on split lands (Navajo owned surface and non-Navajo owned minerals). These new procedures replace existing procedures and require appropriate reviews and a final approval decision by delegated officials of the Navajo Nation resulting in a more efficient and timely governmental review process. The Resources Committee of the Navajo Nation Council has delegated its approval authority to the Navajo Nation Minerals Department or to the Navajo Nation Land Department depending on site specific land status. The procedures described herein will apply to all Navajo Nation lands including split estate lands where the mineral estate is not owned by the Navajo Nation.

2.0 Authority

The Navajo Nation Minerals Department and Navajo Nation Land Department are authorized to approve APDs consistent with these procedures. In approving APDs, the Minerals Department and Navajo Land Department shall ensure compliance with all applicable laws, regulations, policies and procedures.

3.0 Scope

These APD review and approval procedures will govern the processing of all applications, including but not limited to; injection wells, production wells, exploration wells, disposal wells, and to construct their associated ancillary facilities on all Navajo Nation lands, including trust, fee, and split estate lands.

4.0 APD Review and Approval Procedures for Navajo Nation Lands

- 4.01 All applications to drill oil and gas wells and/or to construct associated ancillary facilities on Navajo Nation lands shall be filed by the applicant in duplicate with the Project Review Office (PRO) of the Navajo Land Department. Applications shall include a detailed project description, copies of all federal or state application forms, a survey plat of all proposed construction, all archeological and cultural resource survey reports and clearance documents, all environmental analysis reports and clearance documents, surface land user consent forms, a reclamation plan, and any other documents necessary to support the application.

- 4.02 Upon receipt of complete APD and/or complete application to construct associated ancillary facilities, including the required non-refundable filing and processing fee, PRO shall acknowledge receipt of same by date stamping the application.
- 4.03 PRO shall initiate the required surface land user(s) consent process and shall also submit the application to the following Navajo Nation departments and agency for their administrative review and acknowledgement:
- A. Land Department
 - B. Minerals Department
 - C. Historic Preservation Department
 - D. Department of Water Resources
 - E. Fish and Wildlife Department
 - F. Navajo Nation Environmental Protection Agency
- 4.04 If a reviewing entity determines the APD is deficient, the application shall be returned to PRO. The applicant shall then be notified of the deficiency by PRO and given the opportunity to correct the deficiency. If, and only after deficiency mitigation/resolution, PRO will resume the administrative review process for the application.

At the conclusion of the administrative review process, the application shall be returned to the Minerals Department or to the Land Department, depending on site specific land status, for final action on behalf of the Navajo Nation. The Minerals Department will approve or disapprove applications over lands where the Navajo Nation owns the mineral estate. The Land Department will approve or disapprove applications over lands where the Navajo Nation does not own the mineral estate. Final Navajo Nation approval in either case will be implemented by submitting written notice of the approval along with the application to the Bureau of Indian Affairs (BIA), U.S. Department of the Interior. All approved applications submitted to the BIA shall include an attachment of the Navajo Nation site specific terms and conditions. Applications which are disapproved shall be returned to the applicant. The final decision of either the Minerals Department or the Navajo Land Department shall be the final action of the Navajo Nation on applications.

- 4.05 An applicant may include in the APD, or separately through Sundry Notice, a request for approval to construct associated ancillary facilities within the lease, including access roads, power lines, well tie or gathering pipelines, compression facilities, etc., provided, all required surveys, reports, clearances, documents and consents described above in Section 4.01 have been completed and are included for the affected lands.
- 4.06 Any amendments or proposed modification to an APD made after approval by the Minerals Department or the Navajo Land Department, including changes to the construction of associated ancillary facilities, must be reviewed and approved by the Minerals Department or the Navajo Land Department as it relates to their authority.

- 4.07 In addition to non-refundable filing and processing fees, the applicant shall compensate the surface land user(s) for surface damages. Where there is no designated surface land user, the surface damage compensation shall be paid to the Navajo Nation. Damage payments due for Navajo Agricultural Products Industry (NAPI) lands shall be paid directly to NAPI. In the event there are affected land users who possess valid grazing permits which cover lands within NAPI boundaries that have not been cancelled, surface damage compensation shall be deposited with the Navajo Land Department.
- 4.08 The applicant shall pay the assessed surface damage compensation for the total term of the application and associated ancillary facilities no later than ten days after approval of the APD by the Navajo Nation. The payment for the assessed surface damage compensation to the surface land user(s) and/or Navajo Nation shall be determined, collected and distributed by the Navajo Land Department. The payment for assessed surface damages on NAPI land shall be determined by the Navajo Land Department in coordination with NAPI.
- 4.09 Applicants submitting APDs and/or proposing construction of associated ancillary facilities on any lease where a portion of the construction is outside the lease or operating agreement boundary will be assessed consideration for the portion outside the lease or operating agreement boundary in addition to surface damage compensation.
- 4.10 For federal oil and gas leases approved after March 30, 1990, the Navajo Nation may also assess consideration in addition to surface damage compensation for the approval of an APD and/or construction of associated ancillary facilities within the lease premises.
- 4.11 The maximum term of surface use associated with the APD and/or construction of associated ancillary facilities shall be limited to either twenty (20) years from the date of approval of the application or the abandonment of the well and/or ancillary facilities or the cancellation of the oil and gas lease for any reason, whichever occurs first. At the expiration of the term, if an applicant is still operating the well and/or ancillary facilities, they can apply for an additional term not to exceed twenty (20) years, which will be subject to the Navajo Nation approval. The applicant has the option of requesting an initial term or an additional term for less than twenty (20) years.
- 4.12 Any APD which has not been drilled within one (1) year after final approval of the APD by the U.S. Bureau of Land Management (BLM) or the state in the case of a state lease, shall be deemed to have expired, unless BLM or the state advises the Navajo Nation that an extension has been granted.
- 4.13 Approval of the APD and/or construction of ancillary facilities by the Minerals Department or the Navajo Land Department on Navajo Nation fee lands constitute the final approval by the Navajo Nation and no further action will be required by the BIA & BLM.

- 4.14 The term "applicant," as used in these procedures, includes lessee, sublessee, operator, designated operator, farmee, trustee, and other business entities, their designated agent, their assignee, and successor.
- 4.15 The term "lease" as used in these procedures includes operating agreement, unitized and/or communitized areas only if the tract of land where the well is being drilled is participating in an approved designated unit or in an approved communitized area.
- 4.16 The term "surface land user(s)" as used in these procedures includes grazing permittees
- 4.17 Approval of an APD and/or construction of facilities must be subject to the most current Navajo Nation standard terms and conditions applicable to APD and/or construction of associated ancillary facilities.

5.0 Amendments

These procedures may be amended as necessary by the Resources Committee of the Navajo Nation Council.



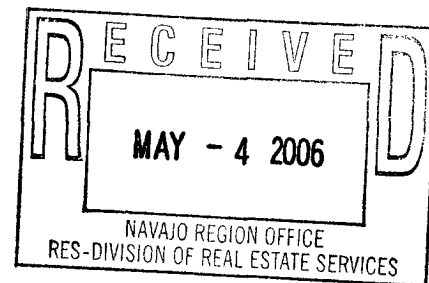
**THE
NAVAJO
NATION**

P.O. Box 9000 • WINDOW ROCK, ARIZONA • 86515

BB 5/5/06
elucob
PRESIDENT
JOE SHIRLEY, JR.
VICE PRESIDENT
FRANK J. DAYISH, JR.

May 4, 2006

Ms. Bertha Spencer, Realty Specialist
Bureau of Indian Affairs (BIA)
Division of Real Estate Services
Post Office Box 1060
Gallup, New Mexico 87305



RE: Applications for Permit to Drill and Sundry Notice to Merrion Oil & Gas Corporation

Dear Ms. Spencer:

Transmittal herewith is eight (8) consent letters dated April 26, 2006, which were signed by Mr. Joe Shirley, Jr., President of the Navajo Nation. Attached also is an approved Resources Committee Resolution and Exhibits to drill, construct, operate and maintain the several gas well, pipelines and ancillary facilities on, over and across Navajo Nation Trust Lands within San Juan County, Navajo Nation (New Mexico). The following is a list of gas wells, resolution numbers and type of project:

1.	Nelson No. 90S	RCAP-66-06	APD
2.	Blues Com No. 1	RCAP-67-06	APD
3.	Reggae Com No. 1	RCAP-68-06	APD & Sundry Notice
4.	Jazz Com No. 1	RCAP-69-06	APD
5.	Nelson A No. 2	RCAP-70-06	APD
6.	Blackrock D. No. 1R	RCAP-71-06	APD
7.	Serendipity #5	RCAP-72-06	APD
8.	Serendipity #4	RCAP-73-06	APD

Please call our office at (928) 871-6447 or 7051, if you should have any questions. Thank you.

Sincerely,

Howard P. Draper, Project/Program Specialist
Project Review Section
Navajo Land Department/DNR

ATTACHMENTS

xc: Chrono/Project Files

