



IN REPLY REFER TO:

United States Department of the Interior

BUREAU OF INDIAN AFFAIRS

XXXXXXXXXXXXXXX

NAVAJO REGION

P. O. Box 1060

Gallup, New Mexico 87305-1060

RRES/543

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Mr. Patrick Hegarty
Hegarty and Associates
Delhi-Trading Incorporated
27 CR 3025
P. O. Box 1317
Aztec, New Mexico 87410



Dear Mr. Hegarty:

This is in response to your e-mail request a letter from the Bureau of Indian Affairs explaining its position that it will not approve an Application for Permit to Drill (APD) without the consent of the surface owner, the Navajo Nation.

A letter dated June 11, 2001 from the Navajo Nation, Project Review stated that the Navajo Nation Resources Committee (RC) has placed a temporary moratorium on all future applications, which also includes APDs within the Navajo Agriculture Products Industry (NAPI) boundaries, until further notice.

30-045- 30538

The proposed well, Ryleybart Federal 1 gas well, is described as 1305' FNL and 1040' FEL of Section 24, T26N, R13W, San Juan County, NMPM. The operator is Elm Ridge Resources, Inc. The proposed well, however, is located within the deleted area of the farm.

This imposes hardship as the New Mexico Oil Conservation Division demands that you spud this well by August 1, 2001. Additionally, the Bureau of Land Management demands drilling of this well to avoid drainage of the allotted oil and gas lease located in the NW¼ of Section 24, T26N, R13 W, San Juan County, NMPM. You explained that the Fruitland coal wells require 320 acres and the Ryleybart Federal 1 gas well has the N½ of Section 24 as its pro ration unit. Therefore the Allotted lease in the NW¼ comprises fifty percent (50%) of Ryleybart Federal 1 well's pro ration unit.

You plan to furnish this letter to the Bureau of Land Management in order to avoid drainage demand penalties and to possibly receive an extension on an allotted oil and gas lease associated with this proposed well. The associated allotted lease is presently in its extended term.

As trustee for the Navajo Nation it is our policy that the Bureau of Indian Affairs will not approve any APD applications on Navajo trust lands without the Navajo Nation's concurrence.

If you have any questions regarding the above, please contact Ms. Linda Taylor, Realty Specialist, Shiprock Agency, Bureau of Indian Affairs, Real Estate Services, Subsurface Leasing, P. O. Box 3538, Shiprock, New Mexico 87420. Ms. Taylor's telephone is (505) 368-3372 (teletypewriter) by calling through relay communication at 800-659-1779. Messages may be faxed to (505) 368-3312.

Sincerely,

GENNI DENETSONE

~~ACTING~~ Regional Director

cc: Elm Ridge Resources, Inc., 12225 Greenville Avenue, Suite 950,
Dallas, TX 75243-9362
Navajo Nation, Attn: Project Review Office
FIMO, Farmington, NM
Navajo Nation, Attn: Minerals Department
BLM, Farmington Field Office
New Mexico Oil Conservation Division, 1000 Rio Brazos Road,
Aztec, NM 87410. ✓