

**THE
NAVAJO
NATION**

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

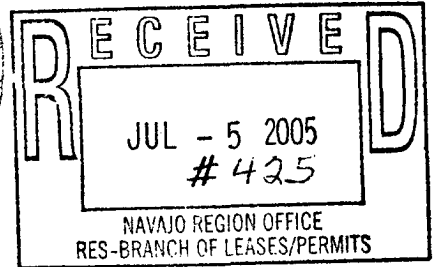
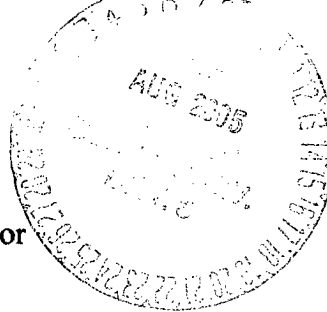
PRESIDENT
JOE **SHIRLEY, Jr.**
VICE PRESIDENT
FRANK J. **DAYISH, Jr.**

30-045-31916

State # 15

Coleman Oil & Gas

JUL 01 2005



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

RE: Application for Permit to Drill to Coleman Oil and Gas, Inc.

Dear Ms. Chicharello:

On June 13, 2005, the Resources Committee of the Navajo Nation Council approved the Application for Permit to Drill package for Coleman Oil and Gas, Inc.:


Resolution Number RCJN-70-05, entitled "Approving an Application for Permit to Drill to Coleman Oil and Gas, Inc., to drill, construct, operate and maintain the "State #1 S" Gas Well, Pipeline and Ancillary Facilities on State Lease No. SL LG-3735 on, over and across Navajo Nation Trust Lands within the Navajo Indian Irrigation Project, San Juan County, Navajo Nation (New Mexico)."

Approval of this Permit to Drill is given subject to the terms and conditions stipulated in the resolution approved by the Resources Committee and exhibits attached to such resolution.

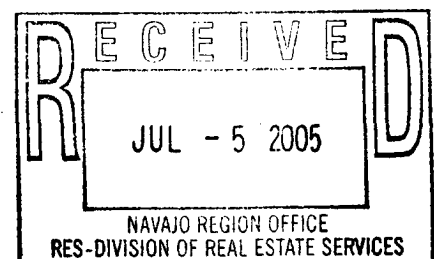
Your prompt approval of this permit to drill is appreciated.

Sincerely,

THE NAVAJO NATION


Joe Shirley, Jr.
President

ENCLOSURES



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

20th NAVAJO NATION COUNCIL – Third Year, 2005

AN ACTION

RELATING TO NATURAL RESOURCES; APPROVING AN APPLICATION FOR PERMIT TO DRILL TO COLEMAN OIL AND GAS, INC. TO DRILL, CONSTRUCT, OPERATE, AND MAINTAIN THE “STATE #1 S” GAS WELL, PIPELINE AND ANCILLARY FACILITIES ON STATE LEASE NO. SL LG-3735 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 Coleman Oil and Gas, Inc. to drill, construct, operate, and maintain the “State #1 S” gas well, pipeline and ancillary facilities on State Lease No. SL LG-3735 on, over and across Navajo Nation Trust lands within the Navajo Indian Irrigation Project, San Juan County, Navajo Nation (New Mexico), attached hereto as Exhibits “A” through “F”.

2. The Navajo Nation hereby approves an Application for Permit to Drill to Coleman Oil and Gas, Inc. for a term that shall not exceed 20 years, beginning on the date the Application for Permit to Drill is approved by the Secretary of the Interior, 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 assesses no consideration for the grant of the Permit to Drill because Coleman Oil and Gas, Inc. has a federal lease that was issued prior to March 30, 1990 and the facilities are within the lease area, as stated in Exhibit “D”. The Navajo Agricultural Products Industry is the only affected land user and provided the necessary consent from NAPI’s General Manager, see Exhibit “C”.

4. 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



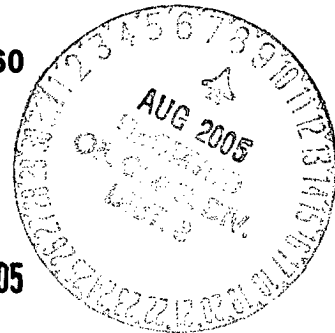
United States Department of the Interior

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

IN REPLY REFER TO:

Real Estate Services/Leases/Permits

JUL 21 2005



State of New Mexico
Oil Conservation Division
1000 Rio Brazos Road
Aztec, NM 87410

Dear Sir:

An administrative review has been conducted on the attached Application for Permit to Drill and Sundry Notice submitted by Coleman Oil and Gas, Inc., requesting to construct, operate and maintain the **State #1 S well**. Sundry Notice approval consists of 80 feet by 230 feet well pad, a 1,188.5 feet access road and a 1,188.5 feet pipeline within the 40 feet wide corridor. The proposed project will encompass approximately 2.04 acres on **State Lease No. SL LG-3735**. This location is on the Navajo Nation Trust Lands and within the Navajo Indian Irrigation Project (NIIP) designated boundaries.

The Resolution of the Resources Committee of the Navajo Nation Council No. **RCJN-70-05** was passed on **June 13, 2005**, approving the enclosed Coleman Oil and Gas, Inc.'s Sundry Notice. Please note that the Resources Committee Resolution set out certain terms and conditions contained in Exhibit "D", which should be followed. Also, the Navajo Nation Environmental Protection Agency set out specific terms and conditions, which should also be followed. Other required clearances such as the Archaeological, Environmental Assessment and FONSI are on file.

We recommend approval of the Application for Permit to Drill, as described in the Sundry Notice application, provided the enclosed Bureau of Indian Affairs and the Navajo Nation stipulations are to be adhered to and made a part of the Sundry Notice.

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

Sincerely,

A handwritten signature in black ink, consisting of a large, stylized 'C' followed by a smaller 'i'.

Regional Director

Enclosures