



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-Leases/Permits/N425

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

RECEIVED

MAR 8 1 2005

OIL CONSERVATION
DIVISION

Well: Bear #1
30-045-29941

Dear Sir:

An administrative review has been conducted on the following proposed Application for Permit to Drill (APD) submitted by Redwolf Production, Inc.

Bear #1 and pipeline is on State Oil and Gas Lease No. **NM State VA-1309**. The proposed gas well is described as 790' FNL / 1190' FEL, located in Section 36, T.26N, R13W, San Juan County, New Mexico. Included in the approved disturbance is a well pad containing 0.96 acres, a combined road and pipeline corridor of 0.55 acres, for a total 1.51 acres, more or less. This location is within the NAPI designated boundaries.

Resolution of the Resources Committee of the Navajo Nation Council No. **RCJA-06-00** passed on **January 13, 2000**, approved the enclosed Redwolf Production Inc.'s APD. Please note the Resources Committee Resolution 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.

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

Sincerely,

Acting Regional Director

Enclosures

THE UNITED STATES OF AMERICA

IN SENATE
January 10, 1917
REPORT
OF THE
COMMISSIONER OF THE GENERAL LAND OFFICE

IN RESPONSE TO A RESOLUTION PASSED BY THE SENATE
JANUARY 1, 1916

AND
IN RESPONSE TO A RESOLUTION PASSED BY THE HOUSE OF REPRESENTATIVES
JANUARY 1, 1916

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JANUARY 1, 1916



THE NAVAJO NATION

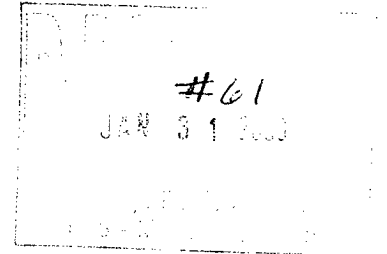
P.O. Box 9000 • WINDOW ROCK, ARIZONA 86515 • TEL. (520) 871 - 6000

KELSEY A. BEGAYE
PRESIDENT

TAYLOR MCKENZIE, M.D.
VICE PRESIDENT

January 27, 2000

Ms. Elouise Chicharello, Regional Director
Navajo Regional Office
Post Office Box 1060
Gallup, New Mexico 87305



RE: APD for Redwolf Production Inc.

Dear Ms. Chicharello:

Transmittal herewith is a consent letter dated January 26, 2000, which was approved by Mr. Taylor McKenzie, M.D., Vice President of the Navajo Nation and Resources Committee Resolution No. RCJA-06-00, for an Application for Permit to Drill to Redwolf Production , Inc. In Huerfano Chapter, San Juan County, New Mexico.

Please call our office at (520) 871-6447 or 6695, if you should have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Howard Phillip Draper".

Howard Phillip Draper, ASO I
Project Review Section
Navajo Land Department/DNR

ATTACHMENTS

xc: Chrono/Project File



THE NAVAJO NATION

P.O. Box 9000 • WINDOW ROCK, ARIZONA 86515 • TEL. (520) 871 - 6000

KELSEY A. BEGAYE
PRESIDENT

TAYLOR MCKENZIE, M.D.
VICE PRESIDENT

JAN 26 2000

Ms. Elouise Chicharello, Regional Director
Bureau of Indian Affairs
Navajo Region
Post Office Box 1060
Gallup, New Mexico 87301

RE: Application for Permit to Drill

Dear Ms. Chicharello:

On January 13, 2000, the Resources Committee of the Navajo Nation Council approved an Application for Permit to Drill to Redwolf Production Inc.:

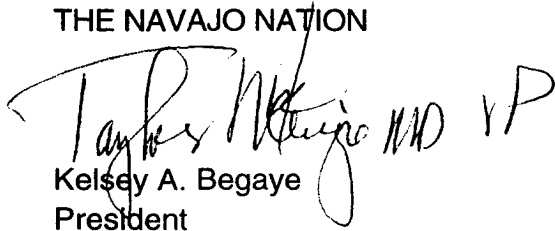
Resolution Number RCJA-06-00 entitled, "Approving an Application for Permit to Drill to Redwolf Production, Inc. To Construct, Operate and Maintain "Bear #1" Well and Ancillary Facilities On, Over and Across Navajo Nation Trust Lands in Huerfano Chapter, San Juan County, New Mexico."

Approval of this Application for 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.

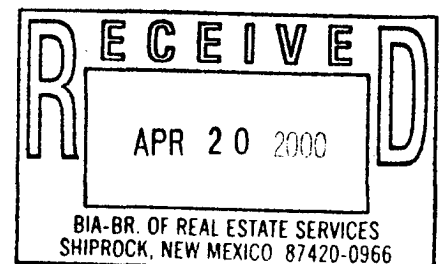
Your prompt approval of this Application for Permit to Drill is appreciated.

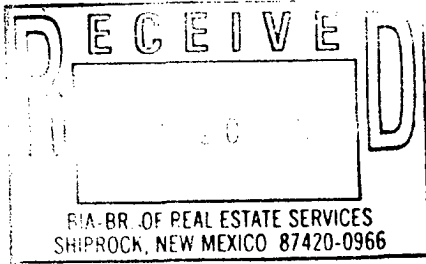
Sincerely,

THE NAVAJO NATION


Kelsey A. Begaye
President

ENCLOSURES





RESOLUTION
OF THE RESOURCES COMMITTEE
OF THE NAVAJO NATION COUNCIL

Approving an Application for Permit to Drill to Redwolf
Production, Inc. to Construct, Operate and Maintain "Bear #1"
Well and Ancillary Facilities On, Over and Across Navajo
Nation Trust Lands in Huerfano Chapter, San Juan County,
New Mexico

WHEREAS:

1. Pursuant to 2 N.N.C. § 695 (B) (2), the Resources Committee of the Navajo Nation Council has been delegated authority to give final approval of rights-of-way, prospecting permits and other usufructuary interests on Navajo land in accordance with applicable federal and Navajo Nation laws; and
2. Redwolf Production, Inc., having a principal place of business at P.O. Box 5382, Farmington, New Mexico 87499, has submitted an Application for Permit to Drill (APD), attached hereto and incorporated herein as Exhibit "A", to construct, operate and maintain the "Bear #1" well and ancillary facilities on, over and across Navajo Nation Trust lands within the Huerfano Chapter, San Juan County, New Mexico; and
3. The proposed APD consists of a gas well pad 0.96 acres, more or less, a combined road and pipeline corridor 0.55 acres, more or less, for a total of 1.51 acres all on State Lease in Section 36, Township 26 North, Range 13 West, NMPM, San Juan County, New Mexico. The location is more particularly described on the map attached hereto and incorporated herein as Exhibit "B"; and
4. The Redwolf Production, Inc. has obtained the necessary consent of the land user (Navajo Agricultural Products Industry), which is attached hereto and incorporated herein as Exhibit "C"; and
5. All environmental and archaeological studies have been completed and said reports are attached hereto and incorporated herein.

NOW THEREFORE BE IT RESOLVED THAT:

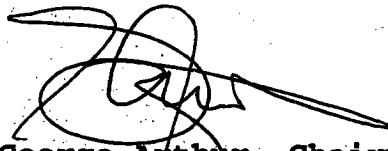
1. The Resources Committee of the Navajo Nation Council hereby approves an Application for Permit to Drill to Redwolf Production, Inc. to construct, operate and maintain the "Bear #1" well and ancillary facilities on, over and across Navajo Nation Trust lands within the Huerfano Chapter, San Juan County, New Mexico. The location is more particularly described in Exhibit "B".

2. The Resources Committee of the Navajo Nation Council approves the Application for Permit to Drill, subject to, but not limited to, the terms and conditions attached hereto as Exhibit "D" and incorporated herein by reference.

3. The Resources Committee of the Navajo Nation Council hereby authorizes the President of the Navajo Nation to execute any and all documents necessary to effect 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 7 in favor, 0 opposed and 0 abstained, this 13th day of January, 2000.



George Arthur, Chairperson
Resources Committee

Motion: Robert B. Whitehorse
Second: Elmer L. Milford

TERMS AND CONDITIONS
for REDWOLF "Bear #1" APD on the Navajo Nation
within a New Mexico State Lease

a. The maximum term of the permit shall not exceed twenty (20) years from the date of approval of the Application for Permit to Drill (APD) by the Resources Committee of the Navajo Nation Council or the abandonment of the well or cancellation of the lease whichever occurs first.

b. A consideration of \$17,823.00 shall be assessed for a twenty year term payable to the Navajo Nation.

c. The Applicant or its assigns/operator will provide to the Navajo Nation Minerals Department the following listed technical information:

- i. Suite of recording and records logs of drilling, exploration and production activity including drilling log.
- ii. Results of any drill stem and pressure tests conducted.
- iii. Well completion report(s).
- iv. Core analysis (if any).
- v. Copies of any other special test(s) run on the drill holes
- vi. Gas Analysis Report
- vii. Water Analysis Report

The Applicant shall provide any additional information that may be required by the Minerals Department such information collected by the Navajo Nation shall be considered confidential, and shall be stamped "Confidential."

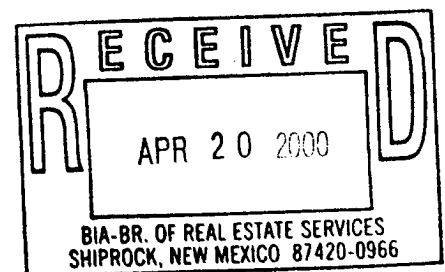
d. This permit does not cover any rights-of-way off the permitted area. If the Applicant needs to extend Powerlines, pipelines, roads, or utilize any land off the lease premises he/she or it must apply for the appropriate rights-of-way from the Navajo Nation.

e. Any relocation or displacement of surface facilities, equipment, access road, gathering and transmission lines will be the responsibility of the Applicant in case the Navajo Nation or its entity plans to use the land and it is unavoidable to relocate or displace such facilities and equipment.

f. The APDs which have not been drilled within one (1) year after the final approval of the APDs by the New Mexico Oil Conservation Division (NMOCD) shall be deemed to have expired, unless NMOCD advises the Navajo Nation that extensions have been granted.

g. The Applicant shall abide by all laws and regulations of the Navajo Nation and of the United States, now in force and effect or as may be hereafter in force and effect, including but not limited to the following:

- I. Title 25, Code of Federal Regulations, Part 169;



- ii. The Navajo Preference Unemployment Act, 15 N.N.C. §§ 601 et seq., and the Navajo Nation Business Preference Law, 5 N.N.C. § 201 et seq.; and
- iii. The Navajo Nation Water Code, 22 N.N.C. § 1101 et seq. application permits and information to the Navajo Nation Department of Water Resources Management.

h. The Applicant shall clear and keep clear the lands within the permit to the extent compatible with the purpose of the permit, and shall dispose of all vegetation and other materials cut, uprooted, or otherwise accumulated during construction and maintenance of the project.

i. The Applicant shall reclaim all surface disturbed lands related to the project and shall notify the Director of the Navajo Nation Environmental Protection Agency (NNEPA) immediately upon completion of construction of the project so that a site inspection can be made.

j. The Applicant shall at all times during the term of the permit and at the Applicant's sole cost and expense, maintain the land and all improvements thereon and make all necessary and reasonable repairs.

k. The Applicant shall obtain permission to cross existing rights-of-way from the appropriate parties before constructing the proposed project.

l. The Applicant shall be responsible for and promptly pay all damages when they are sustained.

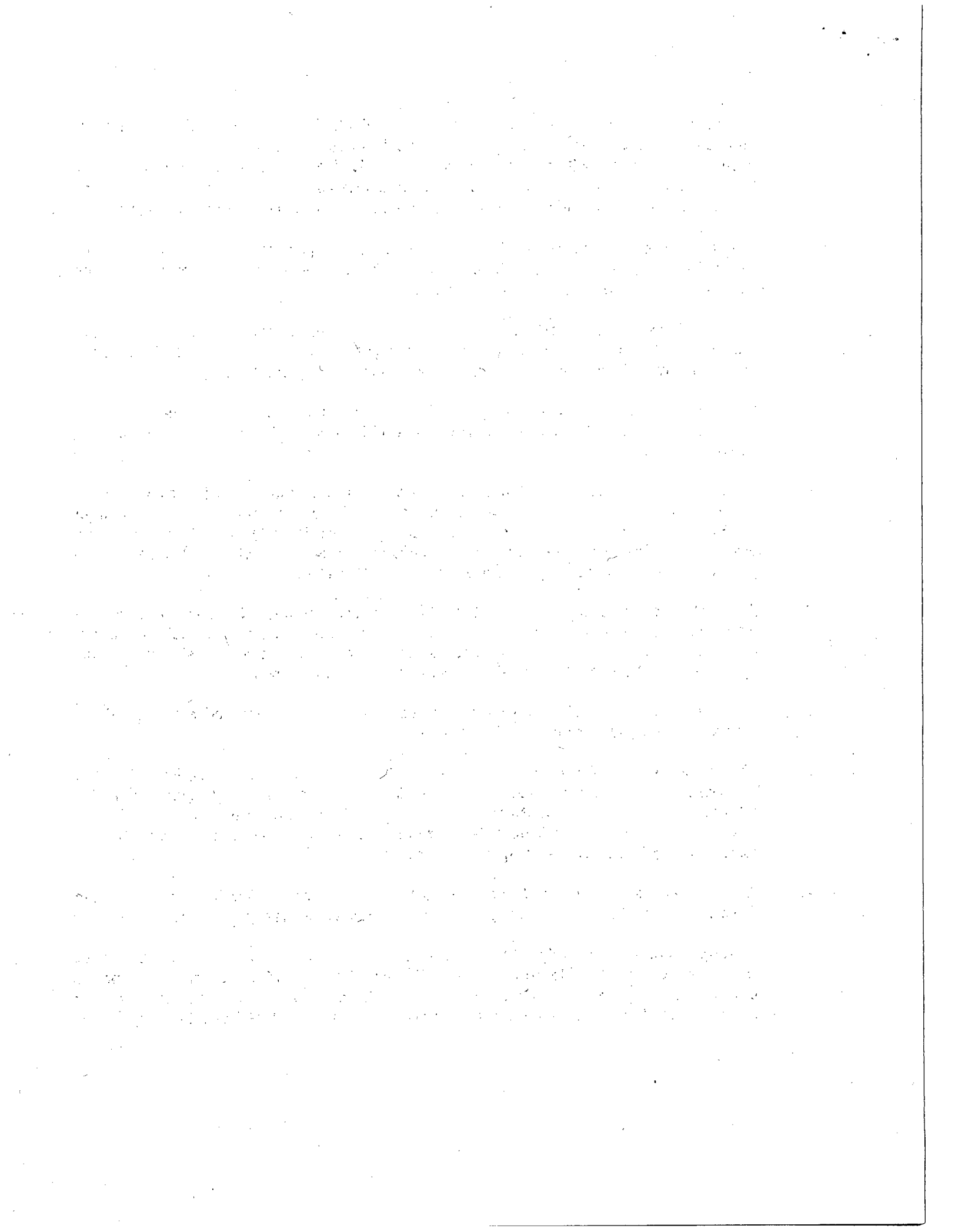
m. The Applicant shall indemnify and hold harmless the Navajo Nation and its authorized agents, employees, landusers and occupants, against any liability for loss of life, personal injury and property damages arising from the construction, maintenance, occupancy or use of lands by the Applicant.

n. The Applicant shall not assign, convey or transfer, in any manner whatsoever, the permit or any interest therein, or in or to any of the improvements on the land, without the prior written consent of the Navajo Nation and the Secretary of the Interior or his designated agent. Any such attempted assignment, conveyance or transfer shall be void and of no effect. The consent of the Navajo Nation may be granted, granted upon conditions or withheld in the sole discretion of the Navajo Nation.

o. The Navajo Nation may terminate the permit for violation of any of the terms and conditions stated herein. In addition, the permit shall be terminable in whole or in part by the Navajo Nation for any of the following causes:

- i. Failure to comply with any terms or conditions of the grant or of applicable laws or regulations;
- ii. A non-use of the permit for the purpose for which it is granted for a consecutive two year period;
- iii. An abandonment of the permit; and
- iv. The use of lands for any purpose inconsistent with the purpose for which the permit is granted.

- p. At the termination of this permit, the Applicant shall peaceably and without legal process deliver possession of the premises, in good condition usual wear and tear excepted. Upon the written request of the Navajo Nation, the Applicant shall provide the Navajo Nation, at the Applicants sole cost and expense, with an environmental audit assessment of the premises at least sixty (60) days prior to delivery of said premises.
- q. Holding over by the Applicant after the termination of the permit shall not constitute a renewal or extension thereof or give the Applicant any rights hereunder or in or to the land or to any improvements located thereon.
- r. The Navajo Nation and the Secretary shall have the right, at any reasonable time during the term of the permit, to enter upon the premises, or any part thereof, to inspect the same and any buildings and other improvements erected or placed thereon.
- s. Except as may be prohibited by applicable Federal law, the laws of the Navajo Nation shall govern the construction, performance and enforcement of the terms and conditions contained herein.
- t. By acceptance of the grant of permit, the Applicant consents to the jurisdiction of the Navajo Nation, including but not limited to, jurisdiction to levy fines and to enter judgments for compensatory and punitive damages and injunctive relief, in connection with all activities conducted by the Applicant on the Navajo Nation or which have a proximate (legal) effect on persons or property within the Navajo Nation.
- u. Any action or proceeding brought by the Applicant against the Navajo Nation in connection with or arising out of the terms and conditions of the permit shall be brought only in the Courts of the Navajo Nation, and no such action or proceeding shall be brought by the Applicant against the Navajo Nation in any court of any state.
- v. Nothing contained herein shall be construed to affect or be deemed a waiver of the sovereign immunity from suit of the Navajo Nation.
- w. The terms and conditions contained herein shall extend to and be binding upon the successors, heirs, assigns, executors, administrators, employees and agents, including all contractors and subcontractors, of the Applicant, and the term "Applicant," whenever used herein, shall be deemed to include all such successors, heirs, assigns, executors, administrators, employees and agents.
- x. Any changes in the proposed use plan to these APDs made after its approval by the Resources Committee must be reviewed and approved by the Resources Committee.
- y. The Applicant shall comply with the Navajo Nation Environmental Protection Agency Underground Injection Control Program "Specific Terms and Conditions of Approval pertaining to Casing and Cement requirements and road information request for additional set forth in a Memorandum dated November 24, 1999," attached hereto and incorporated.





**RESOLUTION OF THE
NAVAJO AGRICULTURAL PRODUCTS INDUSTRY
BOARD OF DIRECTORS**

Recommending to the Resources Committee of the Navajo Nation Council to Approve One Application for Permit to Drill or Deepen (APD) one gas well, and to construct one new access road, and one permanent buried gas pipeline submitted by Permits West, an agent for Redwolf Productions Incorporated On, Over and Across Navajo Indian Irrigation Project Lands, San Juan County, New Mexico.

WHEREAS:

1. Pursuant to 5 N.N.C. §1604 (A)(1) the Navajo Agricultural Products Industry Board of Directors has the authority and responsibility for the management and operation of the Navajo Agricultural Products Industry (NAPI), a wholly owned agribusiness enterprise of the Navajo Nation; and

2. Permits West, 37 Verano Loop, Santa Fe, NM, 87505 an agent for Redwolf Productions Incorporated, P.O Box 5382, Farmington, NM 87499 has submitted one (1) Application for Permit to Drill or Deepen one gas well on, over and across lands within the Navajo Indian Irrigation Project (NIIP) described as:

a. Bear, No. 1, 790' From North Line, 1190' From East Line, Section 36, T26N, R13W, NMPM, San Juan County, New Mexico, consisting of 0.96 acres, one pipeline 1605 feet in length, and an access road of 1605 feet in length (APD and map attached hereto as NAPI Attachment 1);

3. The NAPI Board of Directors has reviewed One Application for Permit to Drill or Deepen (APD) one gas well and to construct one new access road, and one permanent buried gas pipeline within NIIP lands in consideration of payment of compensation to NAPI for surface damages and other considerations.

NOW, THEREFORE, BE IT RESOLVED THAT:

1. The NAPI Board of Directors hereby recommends the approval of One Application for Permit to Drill or Deepen (APD) one gas well, and to construct one new access road, and one buried powerline as described in NAPI Attachment 1 to the Resources Committee of the Navajo Nation Council for a period of 20 years.

2. The NAPI Board of Directors further recommends that the Resources Committee of the Navajo Nation Council include the NAPI stipulations attached hereto as NAPI Attachment 2.

3. The NAPI Board of Directors further provides that approval of One Application for Permit to Drill or Deepen (APD) one gas well and to construct one new access road, and one permanent buried gas pipeline as described herein, shall commence within 12 months from the date of final approval, otherwise, this grant of approval shall be null and void.

EXHIBIT C

CERTIFICATION

I hereby certify that the foregoing resolution was duly considered by the Navajo Agricultural Products Industry Board of Directors at a duly called meeting at Farmington, New Mexico, at which a quorum was present and that same was passed by a vote of 5 in favor and, 0 opposed and 0 abstained, this 23rd day of August, 1999.

Motioned: Willie Begay

Seconded: Emmett Bia, Sr.



Alfred L. Yazzie, Chairperson
NAPI Board of Directors