



9/4/07

SUSPENSE	ENGINEER D. Wood	LOGGED IN 9/5/07	TYPE NSL	APP NO. PTD50724836175
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NEW MEXICO OIL CONSERVATION DIVISION  
 - Engineering Bureau -  
 1220 South St. Francis Drive, Santa Fe, NM 87505

Navajo Nation O&G  
 Hawk 32N #1  
 569/

ABOVE THIS LINE FOR DIVISION USE ONLY

### ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

#### Application Acronyms:

- [NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
- [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
- [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
- [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
- [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
- [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

#### [1] TYPE OF APPLICATION - Check Those Which Apply for [A]

- [A] Location - Spacing Unit - Simultaneous Dedication  
 NSL     NSP     SD

Navajo Nation O&G's  
Hawk 32-N #1

Check One Only for [B] or [C]

- [B] Commingling - Storage - Measurement  
 DHC     CTB     PLC     PC     OLS     OLM

- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery  
 WFX     PMX     SWD     IPI     EOR     PPR

- [D] Other: Specify \_\_\_\_\_

#### [2] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or \_ Does Not Apply

- [A] Working, Royalty or Overriding Royalty Interest Owners
- [B] Offset Operators, Leaseholders or Surface Owner
- [C] Application is One Which Requires Published Legal Notice
- [D] Notification and/or Concurrent Approval by BLM or SLO  
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
- [E] For all of the above, Proof of Notification or Publication is Attached, and/or,
- [F] Waivers are Attached

#### [3] SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

Print or Type Name  
 BRIAN WOOD  
 (505) 466-8120  
 FAX 466-9682

Signature

Title  
 CONSULTANT

Date  
 9-1-07  
 e-mail Address  
 brian@permitswest.com

REQUEST FOR ADMINISTRATIVE APPROVAL  
FOR NONSTANDARD LOCATION  
FOR NAVAJO NATION OIL & GAS CO., INC.  
HAWK 32-N #1 (API # 30-045-33850)  
538' FSL & 1553' FWL SEC. 32, T. 32 N., R. 19 W.  
SAN JUAN COUNTY, NM

I. The well is staked on Navajo Tribal Trust surface and on Navajo Tribal Trust oil and gas lease NO-G-0402-1710. The proposed location is nonstandard for the Wildcat 32N19W32; Leadville Gas due to geology. A standard location must be at least 660' from the quarter section line. This well is staked 122' further south than is standard. (Closest standard location would be 660' FSL and 1553' FWL.) The APD cover sheet is attached as EXHIBIT A.

II. A C-102 showing the well location and pro ration unit (SW4 Section 32) is attached (EXHIBIT B). The Tribal oil and gas lease (12,160 acres) boundary is marked as a solid line on the attached (EXHIBIT C) topographic map. The Navajo Nation is the lessor and the Navajo Nation Oil & Gas Co., Inc. is the lessee for the SW4 Section 32 and all adjacent 8 quarter sections. The well is 3,727' from the closest lease line.

The well encroaches on the NW4 Section 5, T. 31 N., R. 19 W. There are no existing wells, nor any planned wells, in that pro ration unit. Nor are there any existing producing wells in any of the 8 surrounding quarter sections. The only well of any type in the SW4 Section 32 or the adjacent 8 sections is the P & A Navajo 32 #1 which is 444' northeast at 660' FSL & 1980' FWL 32-32n-19w.

III. The closest existing or planned well is the Navajo Nation Oil & Gas Co., Inc. proposed Falcon 6-1 #1 well. That well is staked at 2322' FSL & 207' FEL 6-31n-19w, or 3,914' southwest. EXHIBIT D shows the proposed NSL well, all existing wells (none), all planned wells (none), and existing or possible gas 160 acre spacing units.

There are no offset interest owners. Navajo Nation Oil & Gas Co., Inc. is

the operator all all eight existing or potential offsetting 160 acre pro ration units - all of which are part of the same lease.

IV. A copy of the USGS map is attached (EXHIBIT D). The proposed well site is marked. Pro ration unit (solid line) for the WC31N19W32; Leadville Gas is the 160 acre southwest quarter of Section 32, Township 32 North, Range 19 West, San Juan County, NM.

V. The nonstandard location is due to geology. A standard location would need to be 122' further north. Location is critical. A dry hole (Mesa's Navajo 32 #1; API # 30-045-20364) was drilled 444' away in the center of the quarter-quarter. However, the proposed location is based on 3-D seismic (see Exhibit E (well has since been renamed from Hawk 32-M-1 to Hawk 32-N #1)) and the applicant will try to produce from three zones (Ismay, Desert Creek, and Leadville). The Exhibit F maps shows the P & A Mesa well (dark circle 72393 on maps) off the flank of the algal mound. The same maps show the Hawk 32-N #1 (lighter shaded circle) on the mound.

VI. Archaeology is not an issue.

VII. Surface conditions are not an issue.

VIII. Directional drilling is not feasible because it is not cost effective.

IX. I hereby certify notice (EXHIBIT G) has been sent to the following agencies, lessees (only Navajo Nation Oil & Gas Co., Inc.), lessors (only Navajo Nation), operators of existing spacing units (only Navajo Nation Oil & Gas Co., Inc.), or owners of undrilled leases (only Navajo Nation Oil & Gas Co., Inc.) which adjoin the applicant's spacing unit on one or more of the two sides or the single closest corner to the proposed well and that the information is current and correct. (Navajo Nation Oil & Gas Co., Inc. is the operator all all eight existing or potential offsetting 160 acre gas pro ration units.)

BIA



RCVD MAY18'07  
OIL CONS. DIV.

DIST. 3

FORM APPROVED  
OMB No. 1004-0137  
Expires March 31, 2007

Form 3160-3  
(April 2004)

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

2006 JUL 11 AM 11:38

RECEIVED

070 FARMINGTON

1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. NO-G-0402-1710	
1b. Type of Well: <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/> Single Zone <input checked="" type="checkbox"/> Multiple Zone		7. If Indian, Allottee or Tribe Name NAVAJO NATION	
2. Name of Operator NAVAJO NATION OIL & GAS CO., INC.		8. Lease Name and Well No. HAWK 32-N #1	
3a. Address P. O. BOX 4439 WINDOW ROCK, AZ 86515		9. API Well No. 30-045- <del>33580</del> 33850	
3b. Phone No. (include area code) (928) 871-4880		10. Field and Pool, or Exploratory W 32N 19W 32; Leadville oil W 32N 19W 32; Leadville gas	
4. Location of Well (Report location clearly and in accordance with any State requirements.) At surface 538' FSL & 1553' FWL At proposed prod. zone SAME		11. Sec., T. R. M. or Blk. and Survey or Area N 32-32N-19W NMPM	
14. Distance in miles and direction from nearest town or post office* 12 AIR MILES NW OF SHIPROCK, NM		12. County or Parish SAN JUAN	13. State NM
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 3,727'	16. No. of acres in lease 12,160	17. Spacing Unit dedicated to this well SESW (Des. Creek & Is.) & all other 33 (Lead.) 1/60	
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. N/A	19. Proposed Depth 7,200'	20. BLM/BIA Bond No. on file BIA RLB0006712	
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 5,100' GL	22. Approximate date work will start* 09/01/2006	23. Estimated duration 5 WEEKS	

24. Attachments

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No.1, shall be attached to this form:

- Well plat certified by a registered surveyor.
- A Drilling Plan.
- A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office).
- Bond to cover the operations unless covered by an existing bond on file (see Item 20 above).
- Operator certification
- Such other site specific information and/or plans as may be required by the authorized officer.

25. Signature <i>Brian Wood</i>	Name (Printed/Typed) BRIAN WOOD	Date 07/07/2006
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Title CONSULTANT	PHONE: (505) 466-8120	FAX: (505) 466-9682
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Approved by (Signature) <i>D. Mantelwood</i>	Name (Printed/Typed)	Date 5/16/07
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Title AFM	Office FFO
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Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.  
Conditions of approval, if any, are attached.

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

\*(Instructions on page 2)

DRILLING OPERATIONS AUTHORIZED ARE  
SUBJECT TO COMPLIANCE WITH ATTACHED  
"GENERAL REQUIREMENTS".



HOLD 0104 FOR NSL in Leadville

This action is subject to technical and procedural review pursuant to 43 CFR 3165.3 and appeal pursuant to 43 CFR 3165.4

NOTIFY AZTEC OGD 24 HRS.  
PRIOR TO CASING & CEMENT  
NMOCD

EXHIBIT A

BY 5/18/07

State of New Mexico  
 Energy, Minerals & Mining Resources Department  
 OIL CONSERVATION DIVISION  
 2040 South Pacheco  
 Santa Fe, NM 87505

Form C - 102

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

APA Number <u>33850</u> <b>30-045-33580</b>	Pool Code <u>97413</u> <u>97612</u>	Pool Name <u>WC 32N19W 32;</u> <u>WC 32N19W 32; Pavadon Oil</u>	Pool Name <u>Leadville gas</u>
Property Code <u>36509</u>	Property Name <b>HAWK 32-N</b>		Well Number <u>1</u>
OGRD No. <u>242841</u>	Operator Name <b>NAVAJO NATION OIL &amp; GAS CO., INC.</b>		Elevation <u>5100'</u>

Surface Location

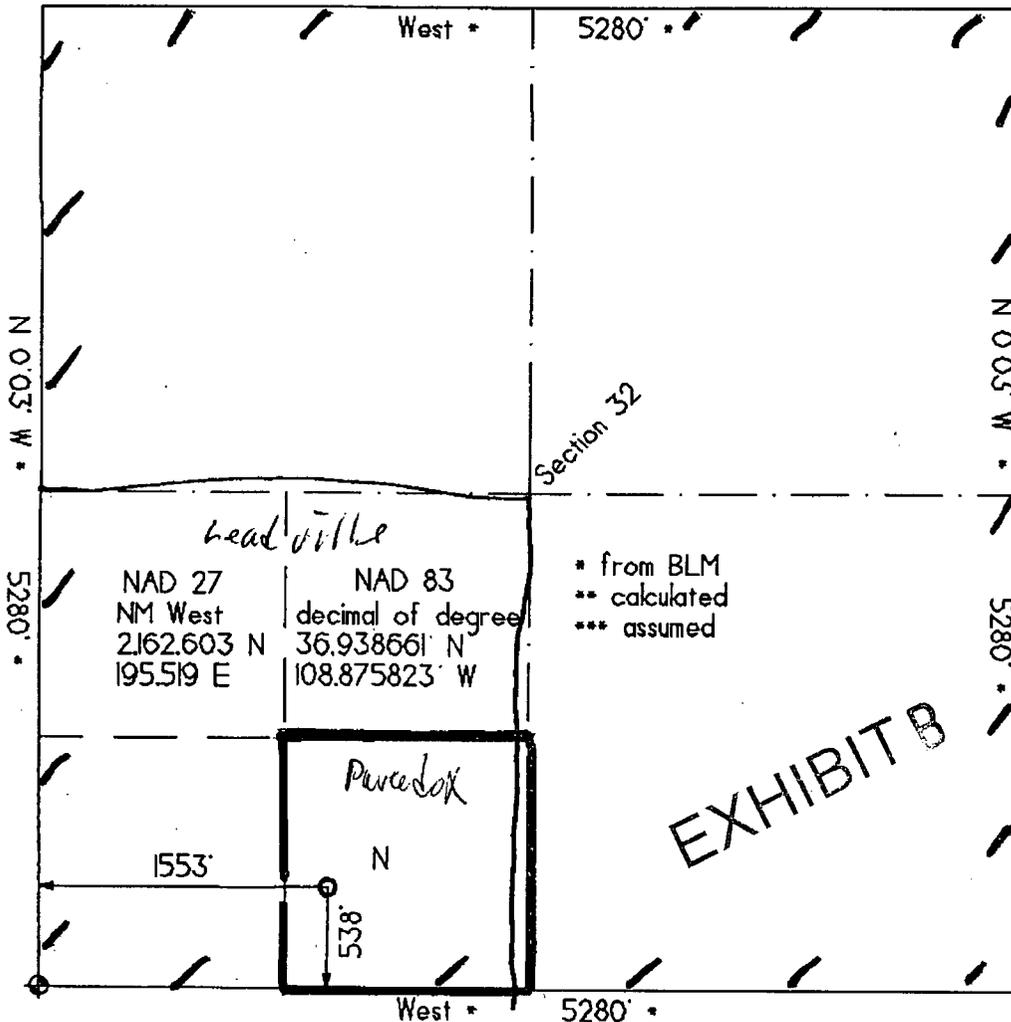
UL or Lot	Sec.	Twp.	Rge.	Lot Lch.	Feet from >	North/South	Feet from >	East/West	County
N	32	32 N.	19 W.	<u>Uφφ</u>	538'	SOUTH	1553'	WEST	SAN JUAN

Bottom Hole Location if Different From Surface

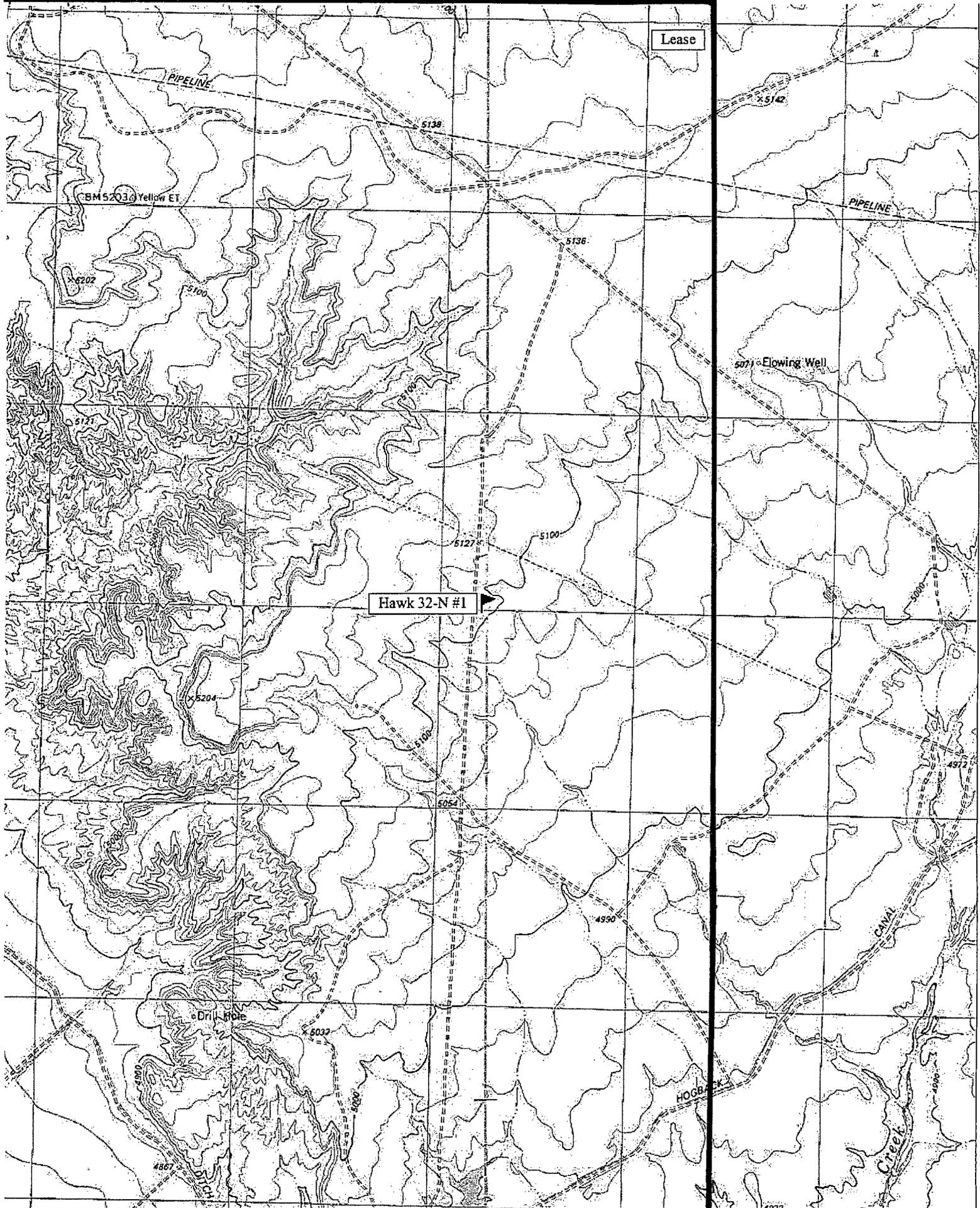
UL or Lot	Sec.	Twp.	Rge.	Lot Lch.	Feet from >	North/South	Feet from >	East/West	County
									RCUD MAY18'07

Dedication <u>160</u> 40 & <del>900</del>	Joint ?	Consolidation	Order No.	<b>OIL CONS. DIV.</b> <b>DIST. 3</b>
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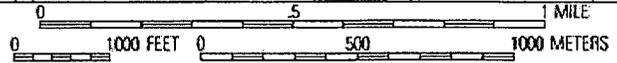
NO ALLOWABLE WILL ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED  
 OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION



<b>OPERATOR CERTIFICATION</b>	
I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.	
Signature	<i>Brian Wood</i>
Printed Name	<b>BRIAN WOOD</b>
Title	<b>CONSULTANT</b>
Date	<b>JULY 7, 2006</b>
<b>SURVEYOR CERTIFICATION</b>	
I hereby certify that the well location on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.	
Date of Survey	<u>07/22/06</u>
Signature and Seal of Professional Surveyor	<i>Gerard Huddleston</i>

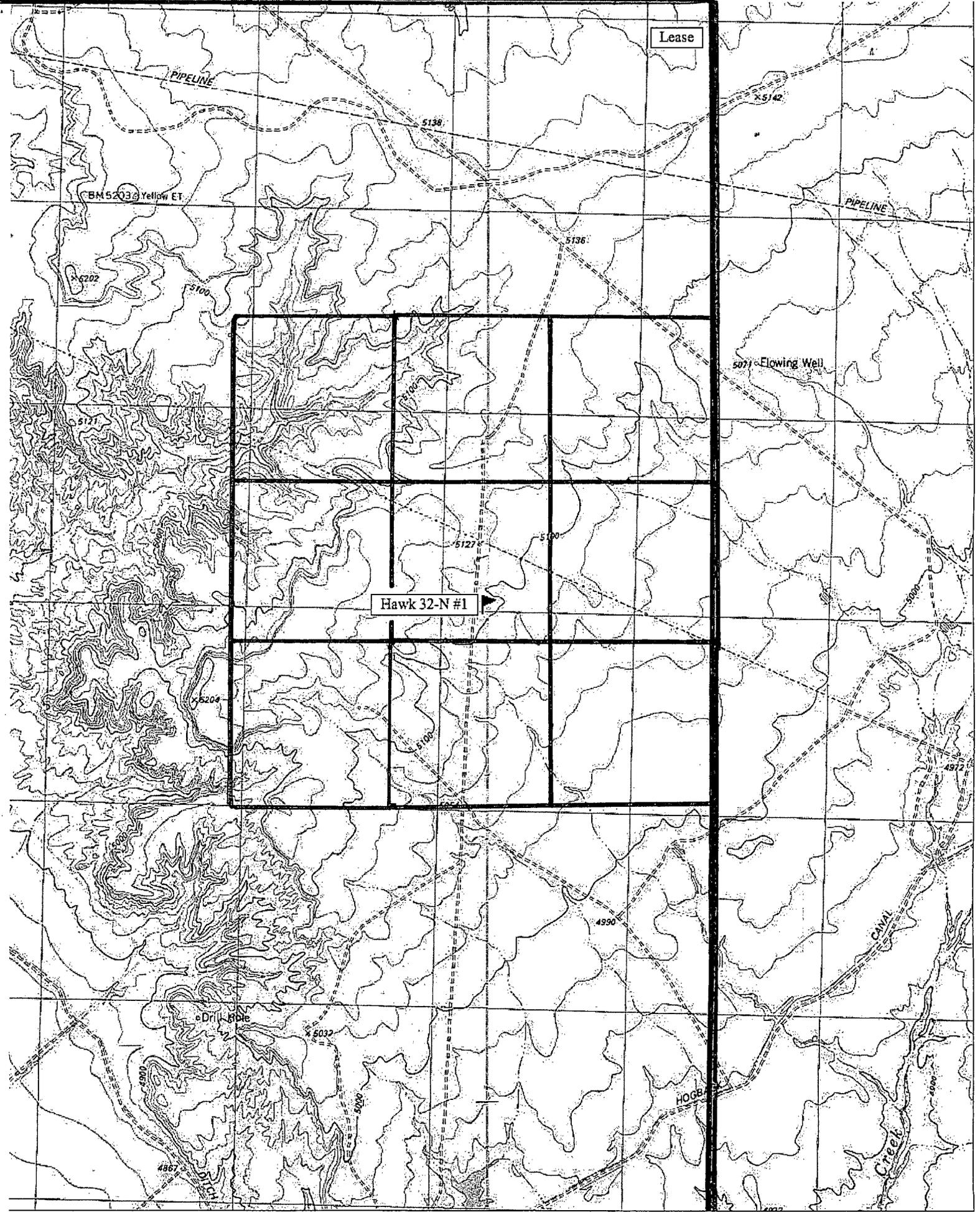


TN MN  
11 1/4°



Map created with TOPO!® ©2003 National Geographic (www.nationalgeographic.com/topo)

EXHIBIT C



Lease

PIPELINE

PIPELINE

BM 52033 Yellow ET

5071 Flowing Well

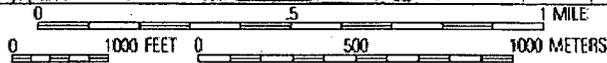
Hawk 32-N #1

CANAL

HOGB

Creek

TN MN  
11 1/2°



Map created with TOPO!® ©2003 National Geographic (www.nationalgeographic.com/topo)

EXHIBIT D

Canal Creek Project  
North-South Line Crossing Hawk Well  
Prospect 3

Hawk 32-M-1  
○  
7-72mig 3mig

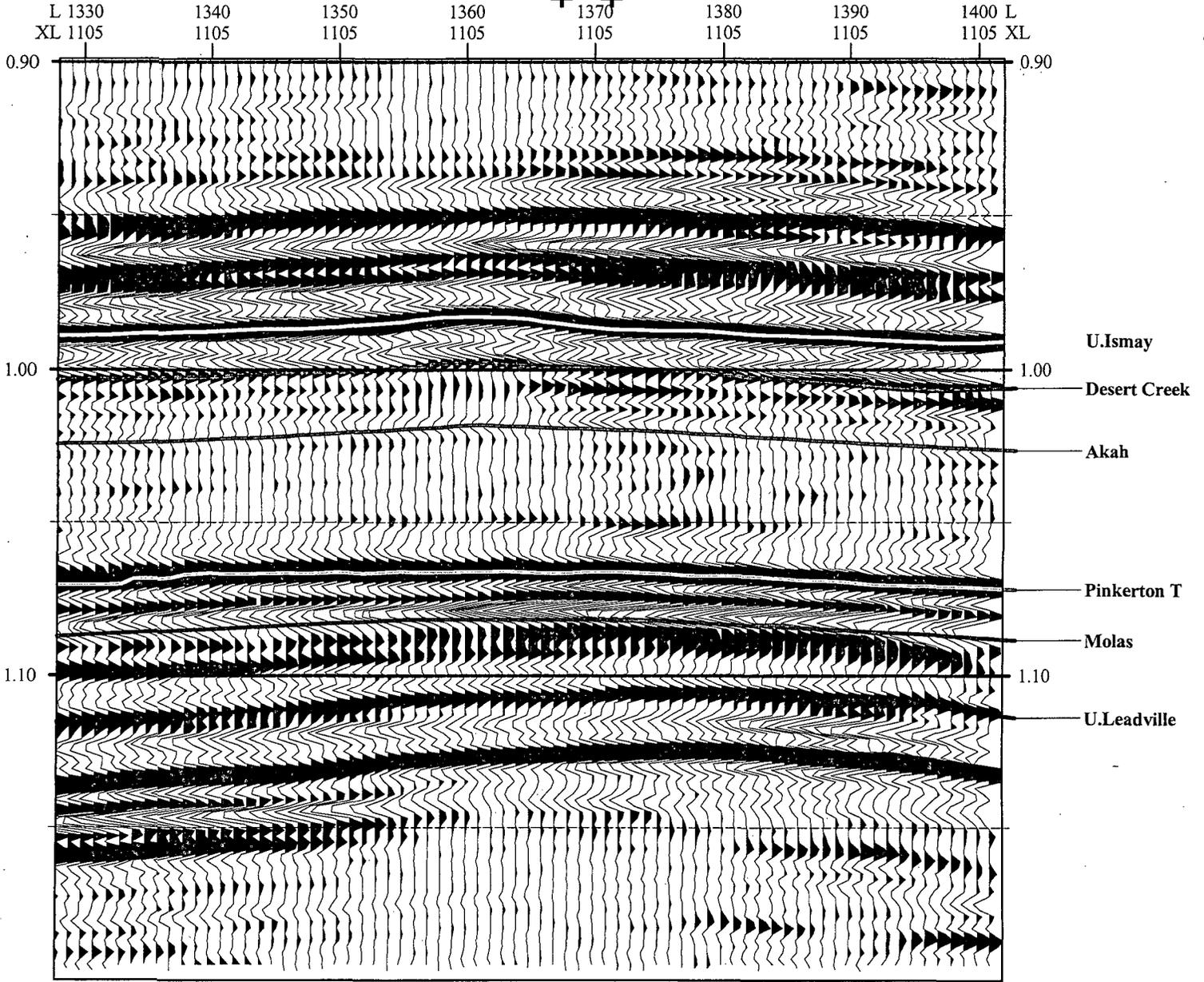


EXHIBIT E

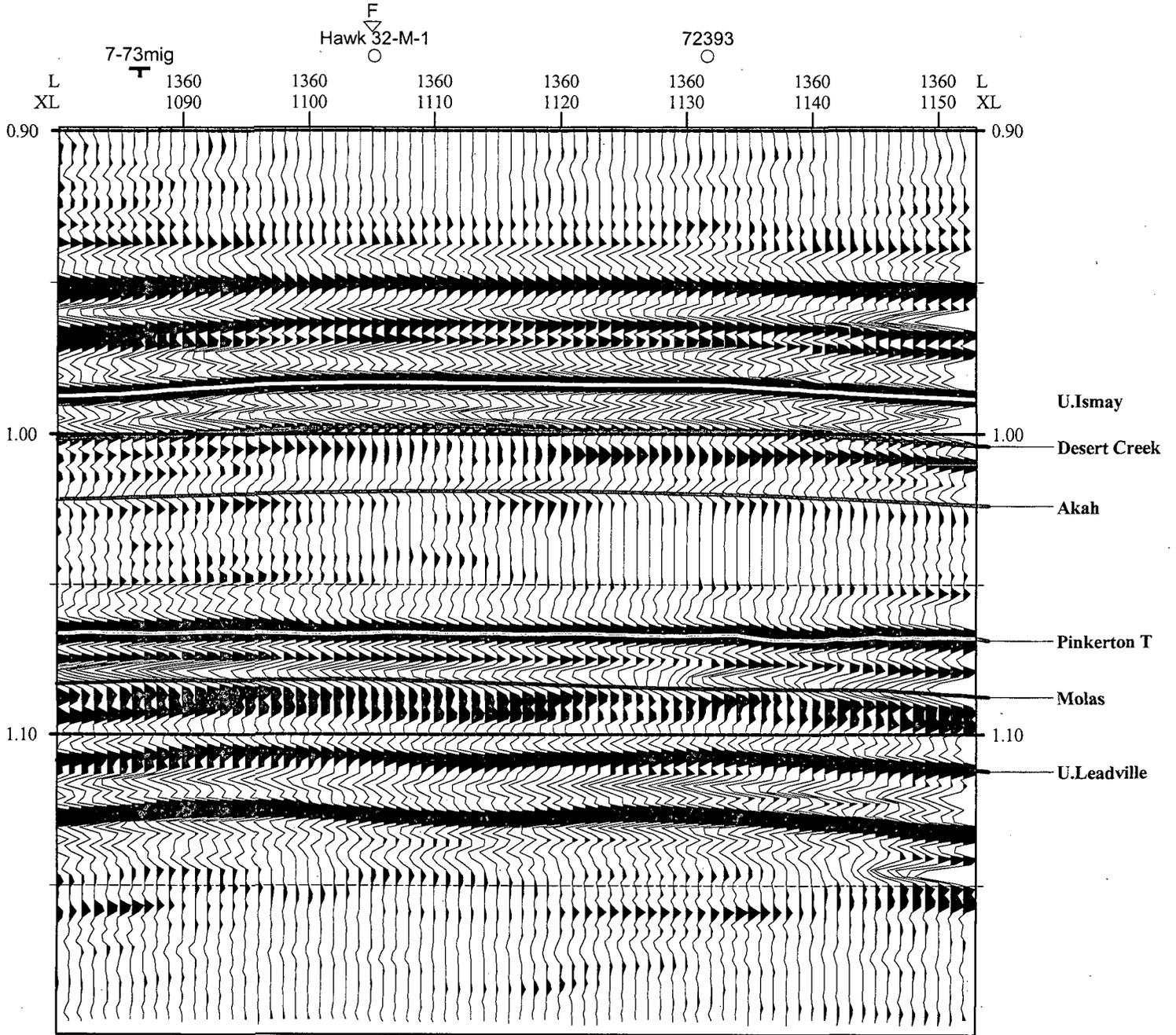
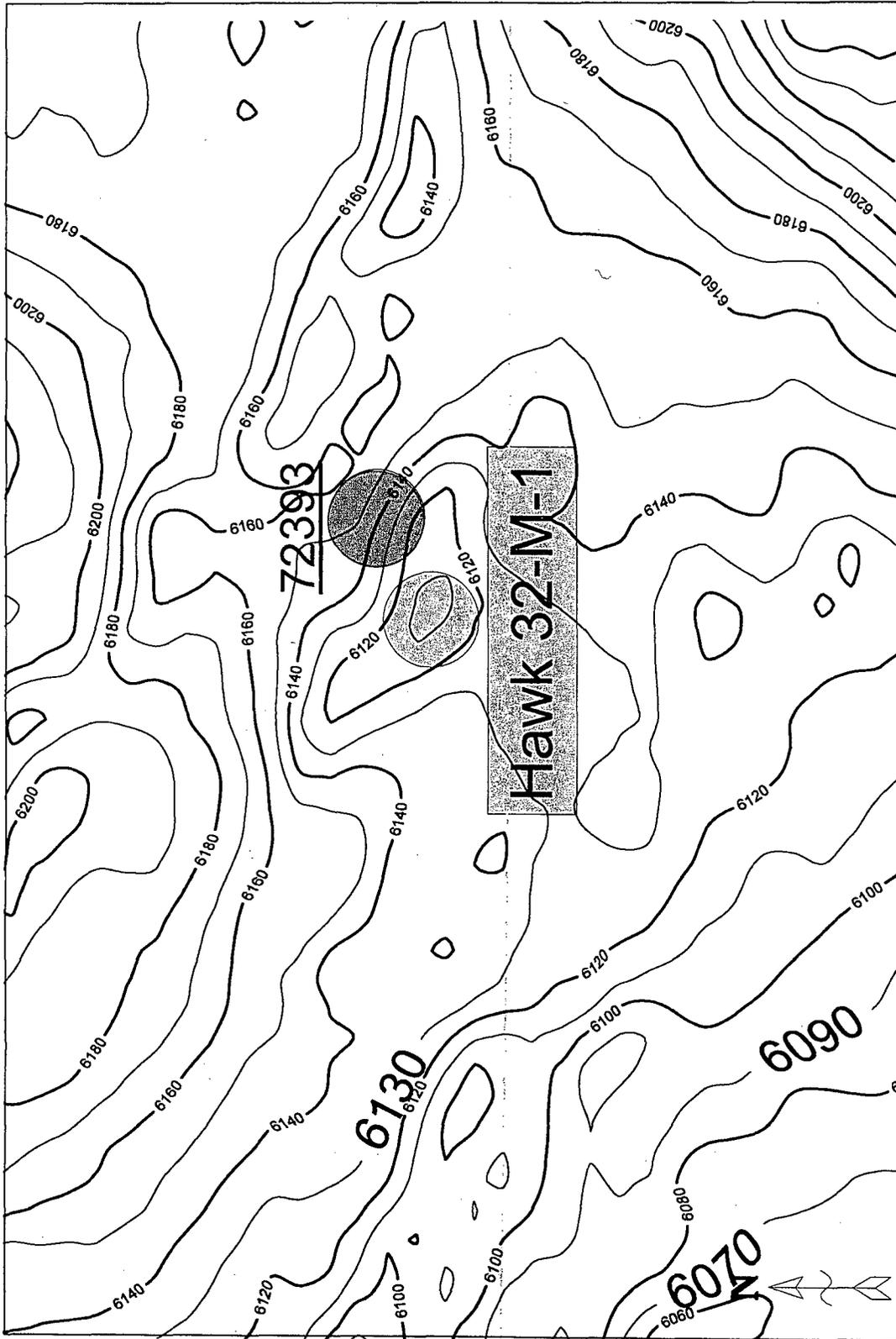


EXHIBIT E



NAVAJO NATION OIL & GAS CO.

CANAL CREEK  
3D Spatial Interpretation  
of LiDAR Topographic Map  
Hawk 32-M-1 Location

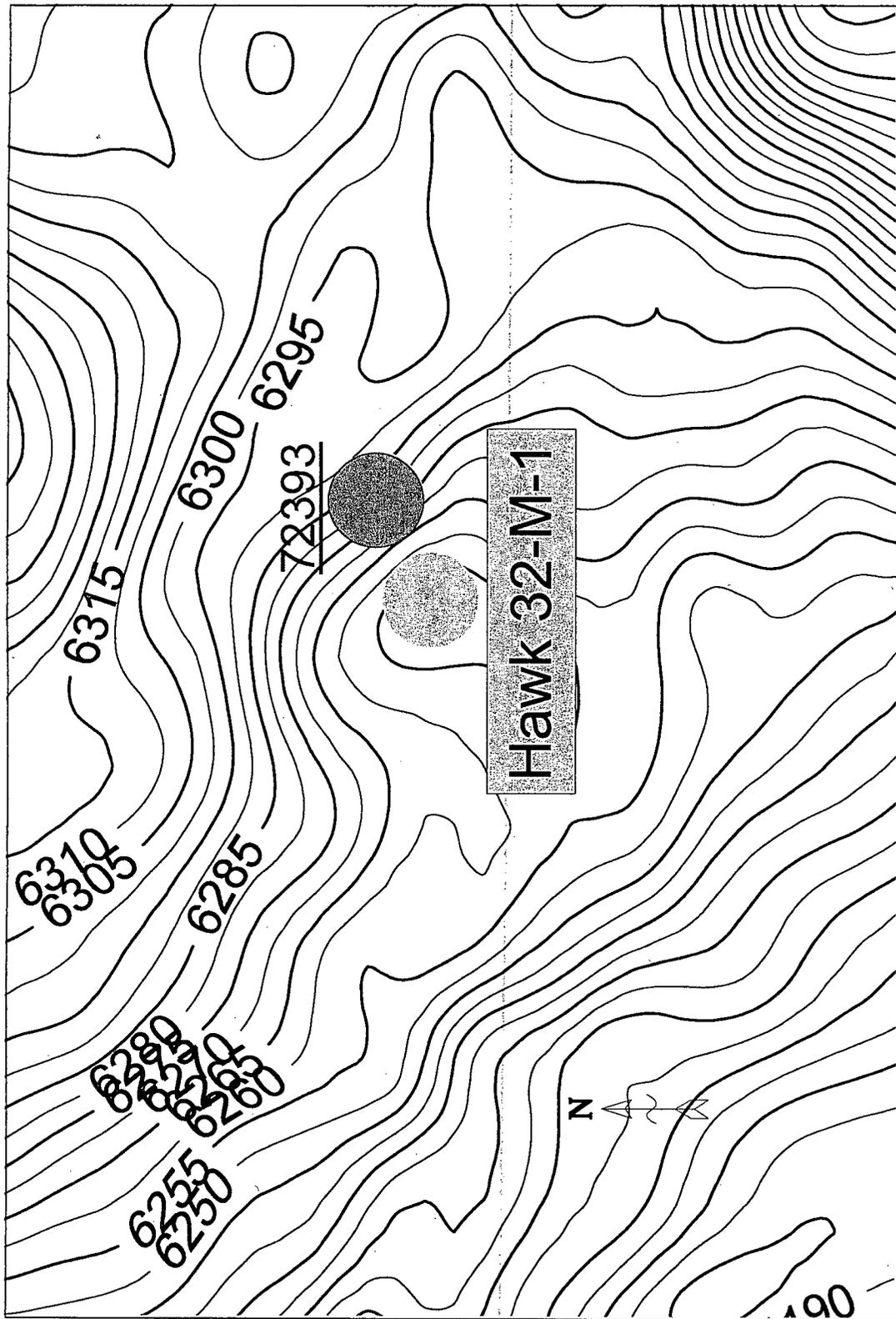


MapScale 1:10000  
Computerized 5/4

Author: D. J. Leach  
Date: 6/14/2004



EXHIBIT E



NAVAJO NATION OIL & GAS CO.



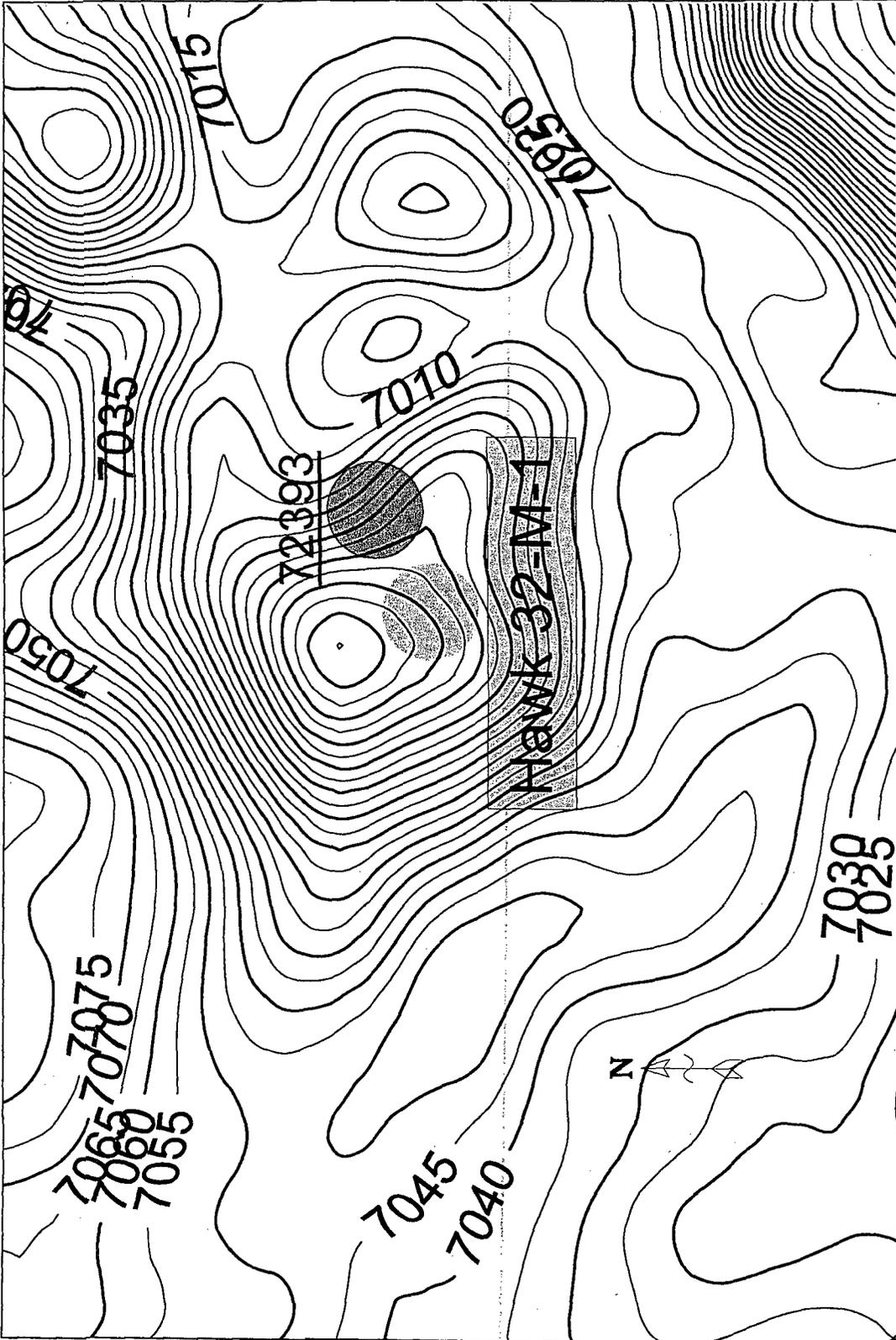
CANAL CREEK  
3D Seismic Interpretation  
Derrick Location Map  
Hawk 32-M-1 Location

Map Scale: 1:10000  
Created/Revised: 8/1/2008

Author: D. M. Kirk  
Date: 7 April 2008



EXHIBIT E




  
 MAJALICIA S.A. DE C.V.
   
 CANAL CREEK
   
 13th Street, Suite 100
   
 San Jose, Costa Rica
   
 Tel: +506 2222 1111
   
 Fax: +506 2222 1112
   
 Email: info@majalicia.com
   
 Website: www.majalicia.com
   
 1 10000
   
 0.125 0.250 0.375 m

EXHIBIT E



**PERMITS WEST**, INC.  
 PROVIDING PERMITS for LAND USERS  
 37 Verano Loop, Santa Fe, New Mexico 87508 (505) 466-8120

September 1, 2007

BLM  
 1235 LaPlata Highway  
 Farmington, NM 87401

As required by New Mexico Oil Conservation Division Rules, I am notifying you of the following nonstandard location (NSL) for a well. This letter is a notice only. No action is needed unless you have questions or objections.

Navajo Nation Oil & Gas Co., Inc. is applying to drill its Hawk 32-N #1 well. The minimum state distance for such a wildcat Leadville gas well is 660' from a quarter section line. The proposed well is 122' further south than is standard. Thus, it is a nonstandard location. The NSL is due to geology.

Well Name: Hawk 32-N #1 (API # 30-045-33850)      Total Depth: 7,200'

Proposed NSL Zone: Leadville gas

NSL Acreage Dedication: 160 acres (SW4 Section 32)

Location: 538' FSL & 1553' FWL Sec. 32, T. 32 N., R. 19 W.,

San Juan County, NM on Navajo Tribal lease NO-G-0402-1710

Approximate Location: ≈12 air miles northwest of Shiprock, NM

Applicant Name: Navajo Nation Oil & Gas Co., Inc.      (928) 871-4880

Applicant's Address: P. O. Box 4439, Window Rock, AZ 86515

Submittal Information: Application for a nonstandard location will be filed with the NM Oil Conservation Division. If they determine the application complies with the applicable regulations, then it will be approved. The New Mexico Oil Conservation Division address is 1220 South St. Francis Dr. Santa Fe, NM 87505. Their phone number is (505) 476-3440.

estions.

Sincerely,



Brian Wood

**EXHIBIT F**

U.S. Postal Service™	
<b>CERTIFIED MAIL™ RECEIPT</b>	
<i>(Domestic Mail Only; No Insurance Coverage Provided)</i>	
For delivery information visit our website at <a href="http://www.usps.com">www.usps.com</a>	
<b>OFFICIAL USE</b>	
Postage	\$ 4.11
Certified Fee	2.65
Return Receipt Fee (Endorsement Required)	2.15
Restricted Delivery Fee (Endorsement Required)	
<b>Total Postage &amp; Fees</b>	<b>\$ 9.21</b>

CHECK SEND C.P.R. CHECK FEES \$0.50

SEP 01 2007

Postmark Here

USPS

Sent To	
BLM	
Street, Apt. No., or PO Box No.	
1235 LaPlata	
City, State, ZIP+4	
Farmington 87401	

PS Form 3800, June 2002      See Reverse for Instructions

7425 RTHE 4920 4552 4400 2510 0854 1118 5776

**PERMITS WEST, INC.**  
 PROVIDING PERMITS for LAND USERS  
 37 Verano Loop, Santa Fe, New Mexico 87508 (505) 466-8120

September 1, 2007

Akhtar Zaman  
 Navajo Nation Minerals Dept.  
 P. O. Box 1910  
 Window Rock, AZ 86515

Dear Akhtar,

As required by New Mexico Oil Conservation Division Rules, I am notifying you of the following nonstandard location (NSL) for a well. This letter is a notice only. No action is needed unless you have questions or objections.

Navajo Nation Oil & Gas Co., Inc. is applying to drill its Hawk 32-N #1 well. The minimum state distance for such a wildcat Leadville gas well is 660' from a quarter section line. The proposed well is 122' further south than is standard. Thus, it is a nonstandard location. The NSL is due to geology.

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NSL Acreage Dedication: 160 acres (SW4 Section 32)  
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 San Juan County, NM on Navajo Tribal lease NO-G-0402-1710  
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Questions.

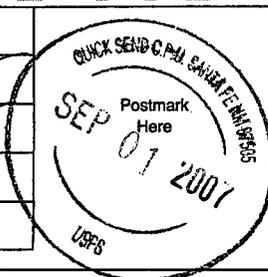
Sincerely,

*Brian Wood*

Brian Wood

**EXHIBIT F**

7004 2510 0004 1418 5783

U.S. Postal Service™	
CERTIFIED MAIL™ RECEIPT	
(Domestic Mail Only; No Insurance Coverage Provided)	
For delivery information visit our website at www.usps.com	
<b>OFFICIAL USE</b>	
Postage	\$ 4.11
Certified Fee	2.65
Return Receipt Fee (Endorsement Required)	2.15
Restricted Delivery Fee (Endorsement Required)	
<b>Total Postage &amp; Fees</b>	<b>\$ 5.21</b>
	
Sent To	
Navajo Nation	
Street, Apt. No., or PO Box No.	
PO Bx 1910	
City, State, ZIP+4	
Window Rock 86515	
PS Form 3800, June 2002	
See Reverse for Instructions	