

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

| | |
|---|--|
| 5. Lease Serial No. NO-G-0402-1709 | |
| 6. If Indian, Allottee or Tribe Name NAVAJO NATION | |
| 7. If Unit or CA Agreement, Name and No. N/A | |
| 8. Lease Name and Well No. UTE CANYON 23-INDIGO | |
| 9. API Well No. 43-037- 31880 | |
| 10. Field and Pool, or Exploratory <i>Undersigned</i> WILDCAT PARADISE & LEAD. | |
| 11. Sec., T. R. M. or Blk. and Survey or Area 23-41S-21E SLM NESE | |
| 12. County or Parish SAN JUAN | |
| 13. State UT | |
| 14. Distance in miles and direction from nearest town or post office* 5 AIR MILES SOUTH OF BLUFF, UT | |
| 15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 1,900' | 16. No. of acres in lease 3,840 |
| 17. Spacing Unit dedicated to this well NESE | |
| 18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 1,115' (Ute 23-P) | 19. Proposed Depth 6,850' |
| 20. BLM/BIA Bond No. on file BIA RLB0006712 | |
| 21. Elevations (Show whether DF, KDB, RT, GL, etc.) 4,991' GL | 22. Approximate date work will start* 01/25/2008 |
| | 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:

- | | |
|---|--|
| 1. Well plat certified by a registered surveyor. | 4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above). |
| 2. A Drilling Plan. | 5. Operator certification |
| 3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office). | 6. Such other site specific information and/or plans as may be required by the authorized officer. |

| | | |
|---------------------------------------|--|---------------------------|
| 25. Signature | Name (Printed/Typed) BRIAN WOOD | Date 12/20/2007 |
| Title CONSULTANT | PHONE: (505) 466-8120 FAX: (505) 466-9682 | |
| Approved by (Signature) | Name (Printed/Typed) BRADLEY G. HILL | Date 01-03-08 |
| Title ENVIRONMENTAL MANAGER | | |

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)

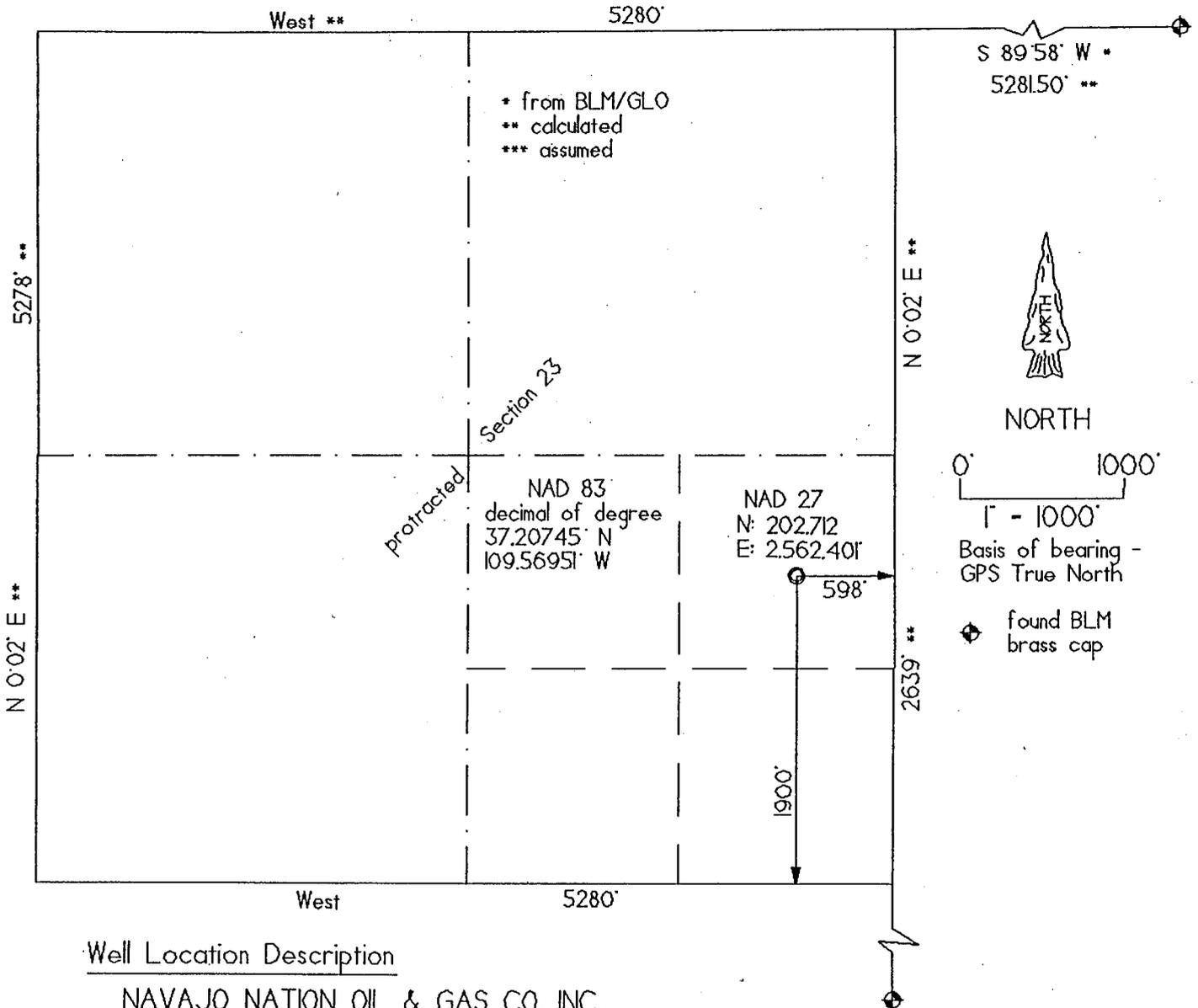
**Federal Approval of this
Action is Necessary**

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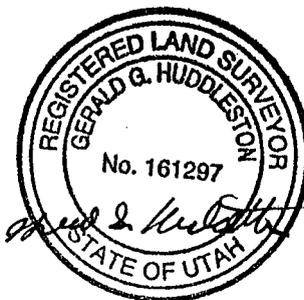
DIV. OF OIL, GAS & MINING

Well Location Plat



Well Location Description

NAVAJO NATION OIL & GAS CO. INC.
 UTE CANYON 23-INDIGO
 1900' FSL & 598' FEL
 Section 23, T.41 S., R.21 E., SLM
 San Juan County, UT
 4991' grd. el. (from GPS)



rev: 05/06/'07

Gerald G. Huddleston, LS

The above is true and correct to my knowledge and belief.

Drilling Program

1. FORMATION TOPS

The estimated tops of important geologic markers are:

| <u>Formation</u> | <u>GL Depth</u> | <u>KB Depth</u> | <u>Elevation</u> |
|------------------------------------|-----------------|-----------------|------------------|
| Bluff Sandstone | 0' | 15' | +4,991' |
| Carmel Sandstone | 96' | 111' | +4,895' |
| Navajo Sandstone | 666' | 681' | +4,325' |
| Kayenta Sandstone | 1,026' | 1,041' | +3,965' |
| Wingate Sandstone | 1,066' | 1,081' | +3,925' |
| Chinle Shale | 1,531' | 1,546' | +3,460' |
| Shinarump Sandstone | 2,116' | 2,131' | +2,875' |
| Moenkopi Sand & Mud Stones | 2,221' | 2,236' | +2,770' |
| DeChelly Ss/Mdst/Shale | 2,526' | 2,541' | +2,465' |
| Organ Rock Shale/Sltst/Ss | 2,611' | 2,626' | +2,380' |
| Lower Cutler Sltst/Ss/Shale | 3,416' | 3,431' | +1,575' |
| Honaker Trail Ls/Sltst/Shale | 4,501' | 4,516' | +490' |
| Paradox Ls/Sltst/Marls/Shale | 5,056' | 5,071' | -65' |
| Ismay Ls/Dolo/Marls/Shale | 5,304' | 5,319' | -313' |
| Lower Ismay Ls/Dolo/Marls/Shale | 5,388' | 5,403' | -397' |
| Desert Creek Ls/Dolo/Marls/Shale | 5,453' | 5,468' | -462' |
| Akah Ls/Dolo/Anhy/Shale | 5,658' | 5,673' | -667' |
| Barker Creek Ls/Dolo/Anhy/Shale | 5,823' | 5,838' | -832' |
| Pinkerton Trail Ls/Dolo/Anhy/Shale | 5,997' | 6,012' | -1,006' |
| Molas Mudst/Slt/Ls/Shale | 6,151' | 6,166' | -1,160' |
| Leadville Limestone/Dolomite | 6,326' | 6,341' | -1,335' |
| Total Depth (TD) | 6,850' | 6,865' | -1,859' |

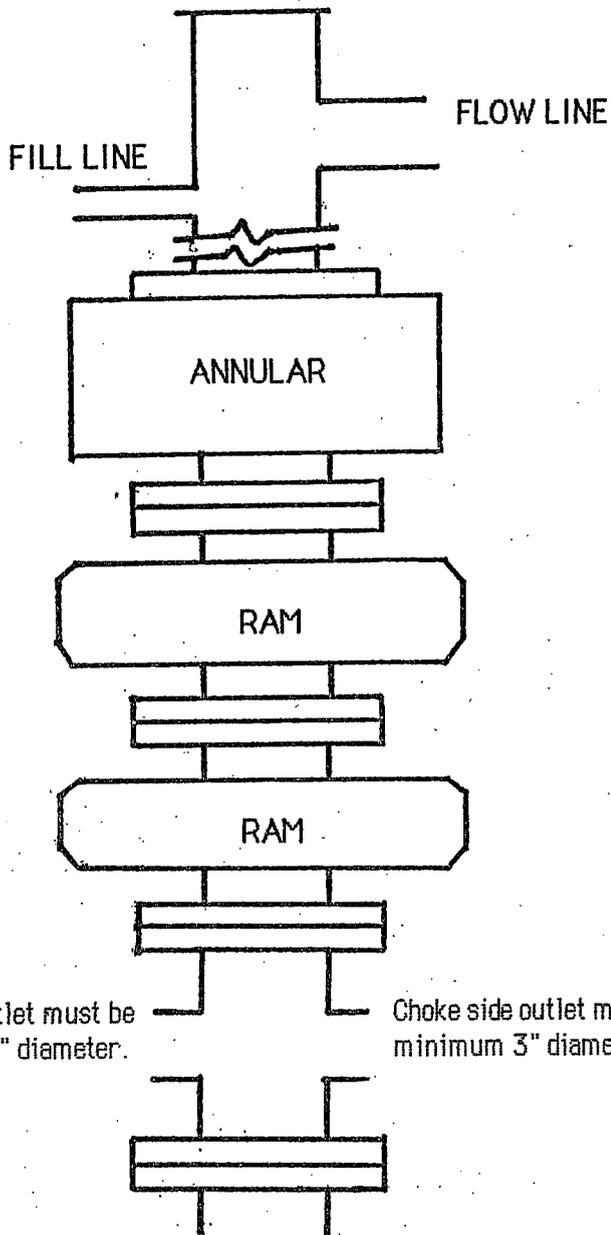
2. NOTABLE ZONES

Desert Creek and Ismay oil production is the primary goal. Upper Leadville oil production is the secondary goal. Oil and gas shows which appear to the well geologist to be commercial will be tested. All fresh water and prospectively valuable minerals will be recorded by depth and protected with casing and cement. Likely fresh water zones are the Glen Canyon group of sandstones.

3. PRESSURE CONTROL

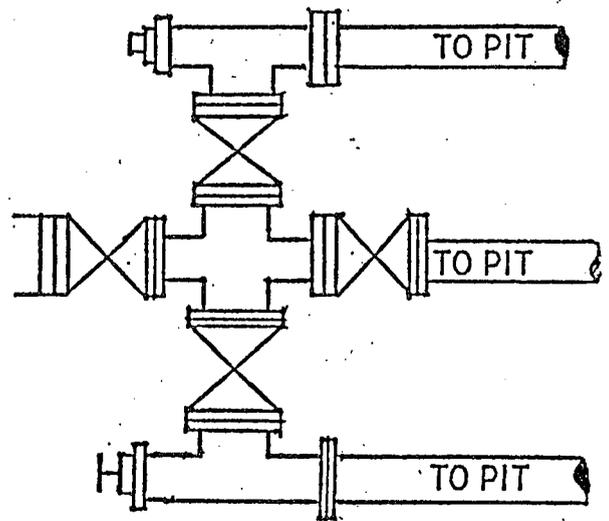
A 13-5/8" 3,000 psi double ram and annular preventer with a 3,000 psi choke manifold will be used. A diagram of a typical BOP is on Page 3. Actual model will not be known until bid is let. Procedures are ...

- Nipple up BOP and all equipment
 - Test to 250 #/3,000#
 - Test Hydril to 2,000 psi
 - Log in I. A. D. C. book
- Drill 1/2 of shoe joint
 - Test to 1,500 psi for 30 minutes
 - Log in I. A. D. C. book
- Activate BOPs every 24 hours or on trips and log in I. A. D. C. book
- Install hand wheels and lay straight flare line before drilling out
- Conduct weekly BOP drills with each crew and log in I. A. D. C. book
- Have floor valve and wrench on floor at all times
 - Floor valve must be in open position
- Before drilling surface casing shoes, blind rams will be closed. BOP and surface casing will be pressure tested to 1,500 psi for a total test time of 30 minutes if not previously tested by Halliburton during cement job.
- Studs on all well head and BOP flanges will be checked for tightness weekly
- Hand wheels for locking screws will be installed and operational
- Entire BOP and well head assembly will be kept clean of mud
- A drill stem safety valve in the open position will be available
- Call BLM at (505 599-8900) and the Utah Division of Oil, Gas, & Mining at (801 538-5340) before testing BOPs



**TYPICAL BOP STACK
& CHOKE MANIFOLD**

There will be at least 2 chokes and 2 choke line valves (3" minimum). The choke line will be 3" in diameter. There will be a pressure gauge on the choke manifold.



Kill line will be minimum 2" diameter and have 2 valves, one of which shall be a minimum 2" check valve.

Upper kelly cock will have handle available.
Safety valve and subs will fit all drill string connections in use.
All BOPE connections subjected to well pressure will be flanged, welded, or clamped.

4. CASING & CEMENT

| <u>Hole Size</u> | <u>O. D.</u> | <u>Weight</u> | <u>Grade</u> | <u>Age</u> | <u>Coupling</u> | <u>Burst/Collapse</u> | <u>Depth Set</u> |
|------------------|--------------|---------------|--------------|------------|-----------------|-----------------------|------------------|
| 20" | 16" | | Conductor | New | | | 60' |
| 12-1/4" | 8-5/8" | 24# | J or K-55 | New | S T & C | 2,950/1,370 | 1,800' |
| 7-7/8" | 5-1/2" | 17# | J or K-55 | New | L T & C | 5,320/4,910 | 6,850' |

Conductor pipe will be cemented to the surface with ready-mix.

Surface casing will be set at least 200' into the Chinle and cemented to the surface with $\approx 50\%$ excess. Lead with ≈ 450 sacks (≈ 878 cubic feet) Halliburton light with 5 pounds per sack gilsonite + 1/4 pound per sack cellophane mixed at 12.4 pounds per gallon and 1.95 cubic feet per sack. Tail with ≈ 215 sacks (≈ 256 cubic feet) standard cement + 1% CaCl_2 + 1/4 pound per sack cellophane mixed at 15.6 pounds per gallon and 1.19 cubic feet per sack. Centralizers will be placed $\approx 5'$ off the bottom and on the first three joints and the fifth joint.

Production casing will be cemented with $\approx 40\%$ excess to $\approx 1,600'$ (i. e., 200' above surface casing shoe). Lead with ≈ 460 sacks (≈ 897 cubic feet) Halliburton light with 5 pounds per sack gilsonite + 1/4 pound per sack cellophane mixed at 12.4 pounds per gallon and 1.95 cubic feet per sack. Tail with ≈ 305 sacks (≈ 384 cubic feet) premium with 5 pounds per sack gilsonite + 0.6% Halad 9 + 0.25 CFR-3 mixed at 15.2 pounds per gallon and 1.26 cubic feet per sack. Centralizers will be set on the shoe joint, top of the second and third joints, and continue through and above pay zones at $\approx 90'$ intervals.

5. MUD PROGRAM

| <u>Interval</u> | <u>Weight</u> | <u>Viscosity</u> | <u>Fluid Loss</u> | <u>Type</u> |
|-----------------|---------------|------------------|-------------------|--|
| 0 -1,800' | 8.3 - 8.7 | 27 - 32 | N/C | Fresh H ₂ O gel lime spud mud, pH 9 |
| 1,800' - TD | 8.4 - 10.0 | 38 - 40 | 8 cc | Fresh water gel, PHPA, SAPP |

Navajo Nation Oil & Gas Co., Inc.
Ute Canyon 23-Indigo
1900' FSL & 598' FEL
Sec. 23, T. 41 S., R. 21 E.
San Juan County, Utah

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Cuttings will be collected every $\approx 30'$ from the surface to $\approx 5,000'$. Cuttings will be collected every $\approx 10'$ from $\approx 5,000'$ to TD.

6. CORES, LOGS, & TESTS

Side wall cores may be cut depending upon shows. GR - Sonic and DLL-Micro-SFL log suites will be run from TD to the surface. FDC-CNL logs will be run from TD to $\approx 4,000'$. No drill stem tests are currently planned.

A geologist or mud logger will be on site from $\approx 4,000'$ to TD.

7. DOWN HOLE CONDITIONS

No abnormal temperatures or abnormal pressures are expected. Maximum expected bottom hole pressure will be $\approx 2,945$ psi. While no hydrogen sulfide is expected, a contingency plan is attached.

8. OTHER INFORMATION

The anticipated spud date is January 25, 2008. It is expected it will take ≈ 3 weeks to drill and ≈ 2 weeks to complete the well.

Navajo Nation Oil & Gas Co., Inc.
Ute Canyon 23-Indigo
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Sec. 23, T. 41 S., R. 21 E.
San Juan County, Utah

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Surface Use Plan

1. DIRECTIONS (See PAGES 11 - 14)

From the junction of US 163 and US 191 west of Bluff
Go South $\approx 7\frac{1}{2}$ miles on US 191 to the equivalent of Mile Post 13.8
Then turn left and go Northeast ≈ 2.6 miles on County Road 441/N-5063
Then turn left and go N, W, & South ≈ 3.5 miles on old roads & jeep trails
Then continue South 731.44' cross country
Then turn right and go NW 280.33' cross country to the proposed 23-Indigo

Roads will be maintained to at least equal to their present condition.

2. ROAD WORK (See PAGES 12 & 13)

A Tribally approved archaeologist will be called before construction starts to monitor construction. The following precautions will be used:

Site UT-C-52-183: build 250 yard long detour east of current road
Site UT-C-52-106: build 125 yard long detour west of current road
Site UT-C-52-182: build 150 yard long detour southeast of current road
Site UT-C-52-12: 100 yard segment will not be bladed or widened
Site UT-C-52-181: 100 yard segment will not be bladed or widened

Minimum 36" high dirt berms will be used to block the current road at each end of each detour.

The final ≈ 3.5 miles of existing road, jeeps trails, and detours plus the 1,011.77' of all new road will be upgraded or built to BLM Gold Book standards. Road will have a $\approx 14'$ wide running surface (except at 2 sites) and will be rocked where needed. Two 36" diameter culverts will be installed just downstream of the stock pond in Section 13. Steel fence posts will be set

Navajo Nation Oil & Gas Co., Inc.
Ute Canyon 23-Indigo
1900' FSL & 598' FEL
Sec. 23, T. 41 S., R. 21 E.
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upstream of the culverts to catch debris. No vehicle turn out or cattle guard is needed. Maximum disturbed width will be $\leq 20'$ (except at 2 sites). Maximum cut or fill will be $\approx 5'$. Maximum grade will be $\approx 10\%$.

3. EXISTING WELLS

There are no plugged, oil, gas, injection, or water wells within a mile radius.

4. PROPOSED PRODUCTION FACILITIES

A well head, pump, separator, dehydrator, and tank battery will be installed on the pad. All will be painted a flat Carlsbad tan.

5. WATER SUPPLY

Water will be trucked from Monument Resources' well on private land in 30-40s-22e near Bluff. Water right number is 09-135.

6. CONSTRUCTION METHODS & MATERIALS (See PAGES 15 & 16)

There is no topsoil to save. (All of the well site is exposed sandstone.) Diversion ditch will be cut northeast of the pad. A minimum 12 mil plastic liner will be installed in the reserve pit. Geotextile fabric or sand will be used to pad the liner. The reserve pit will be fenced sheep tight on 3 sides with woven wire fence topped with barbed wire. The fourth side will be fenced once the rig moves off. The fence will be kept in good repair while the pit dries. Once dry, contents of the reserve pit will be buried in place.

Rock will be bought and trucked from private land near Bluff.

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7. WASTE DISPOSAL

All trash will be placed in a portable trash cage and hauled to the county landfill. Human waste will be disposed of in chemical toilets. Toilet contents will be hauled to a state approved dump station off the reservation.

8. ANCILLARY FACILITIES

There will be no air strip or camp. Camper trailers will be parked on the pad for the company man, tool pusher, and mud loggers.

9. WELL SITE LAYOUT

See PAGES 15 and 16 for drawings of the well pad, cross section, cut and fill diagram, reserve pit, trash cage, access onto the location, parking, living facilities, and rig orientation.

10. RECLAMATION

Reclamation starts once the reserve pit is dry, at which point it will be back filled. Liner top will be folded over contents and covered with ≥ 24 " of dirt. The reserve pit and any pad areas not needed for producing the well will be reclaimed as an interim measure. Once the well is plugged, the remainder of the pad and road will be reclaimed.

All reclamation will leave the terrain with a natural shape, slopes will be no steeper than 3 to 1, all compacted areas will be ripped ≥ 12 " deep with the contour. A seed mix will be drilled as prescribed by BLM, BIA, or the Navajo Nation. Weeds will be controlled in accordance with BLM, BIA, or Tribal requirements.

Navajo Nation Oil & Gas Co., Inc.
Ute Canyon 23-Indigo
1900' FSL & 598' FEL
Sec. 23, T. 41 S., R. 21 E.
San Juan County, Utah

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11. SURFACE OWNER

All construction will be on Navajo Tribal surface. Tribal Project Review Office phone is (928) 871-6447. Address is P. O. Box 2249, Window Rock, Arizona, 86515.

12. OTHER INFORMATION

The nearest hospital is a \approx 1-1/4 hour drive away in Monticello. It is 3 blocks northwest of the intersection of US 491 and US 163/191. Hospital phone number is (435) 587-2116. Or dial 1-800-332-1911 from anywhere in the county. Give the operator the latitude and longitude (see section plat (which is the second page of the APD)) of the well.

13. REPRESENTATION & CERTIFICATION

I hereby certify that I, or someone under my direct supervision, have inspected the drill site and access route proposed herein; that I am familiar with the conditions which currently exist; that the statements made in this APD package are, to the best of my knowledge, true and correct; and that the work associated with the operations proposed herein will be performed by Navajo Nation Oil & Gas Co., Inc., and its contractors and subcontractors in conformity with this APD package and the terms and conditions under which it is approved. I also certify that I, or the company I represent, am responsible for the operations conducted under this application. These statements are subject to the provisions of 18 U. S. C. 1001 for the filing of false statements. Executed this 20th day of December, 2007.

Navajo Nation Oil & Gas Co., Inc.
Ute Canyon 23-Indigo
1900' FSL & 598' FEL
Sec. 23, T. 41 S., R. 21 E.
San Juan County, Utah

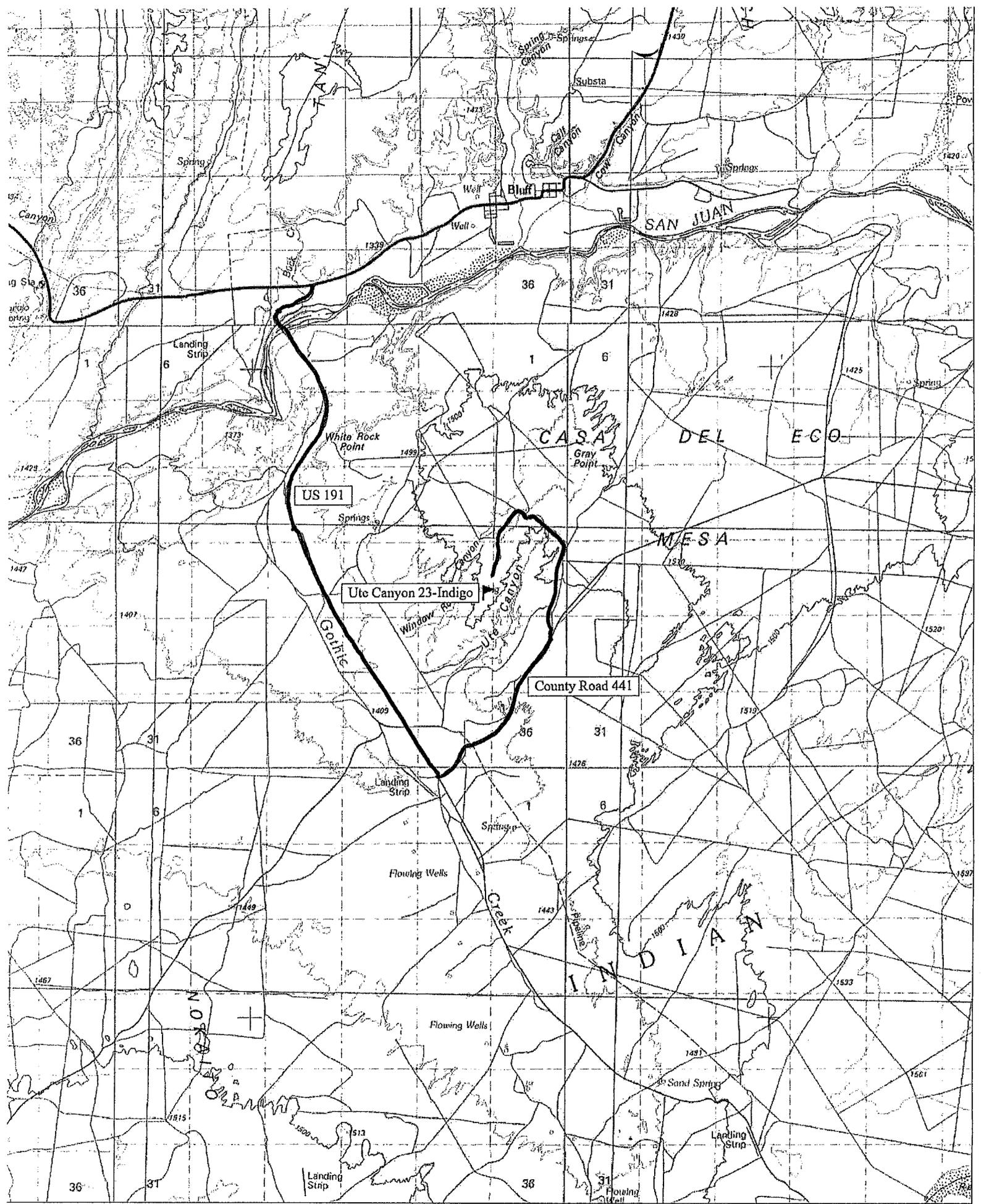
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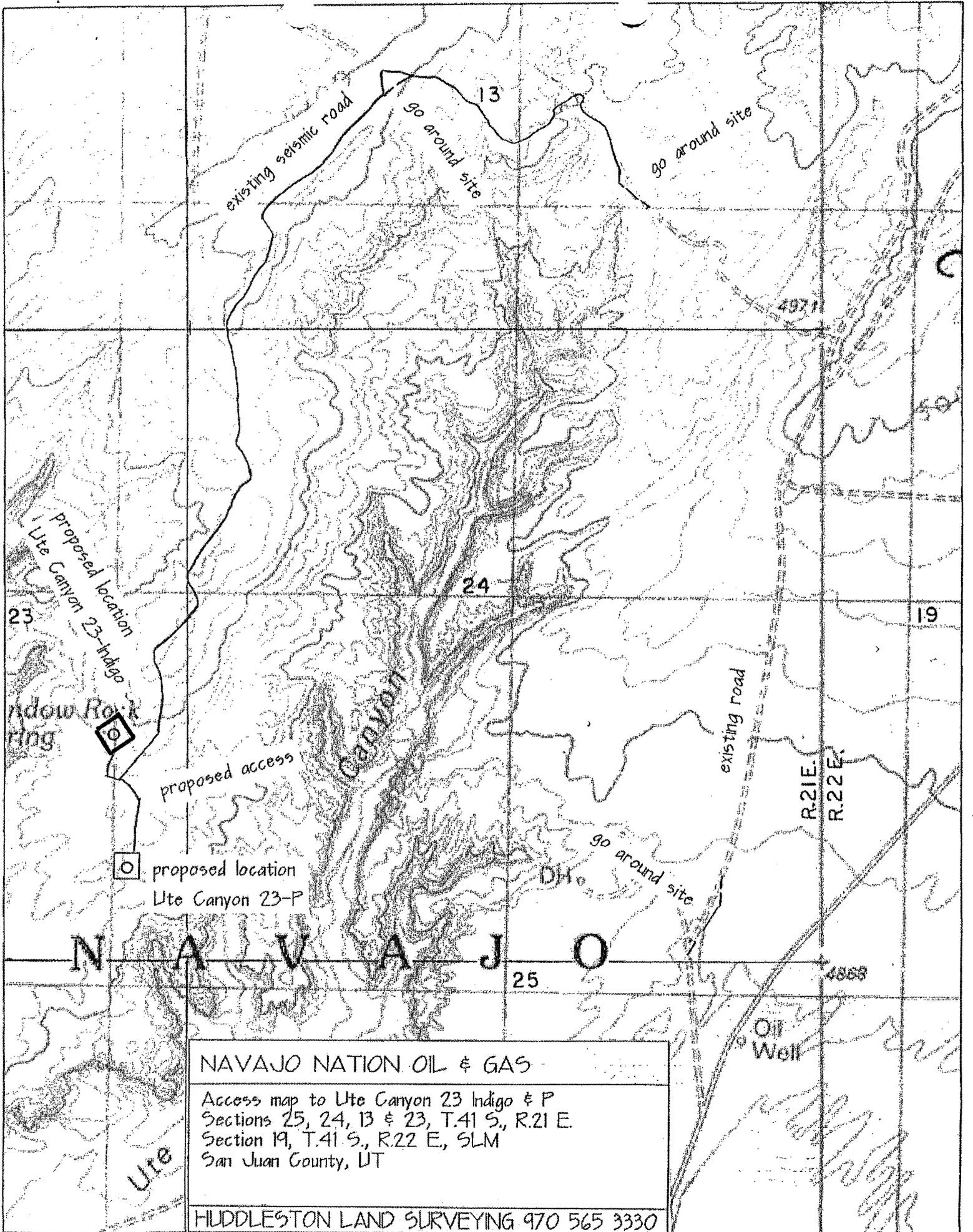
Brian Wood, Consultant
Permits West, Inc.
37 Verano Loop, Santa Fe, NM 87508
(505) 466-8120 FAX: (505) 466-9682 Mobile: (505) 699-2276

The field representative will be:

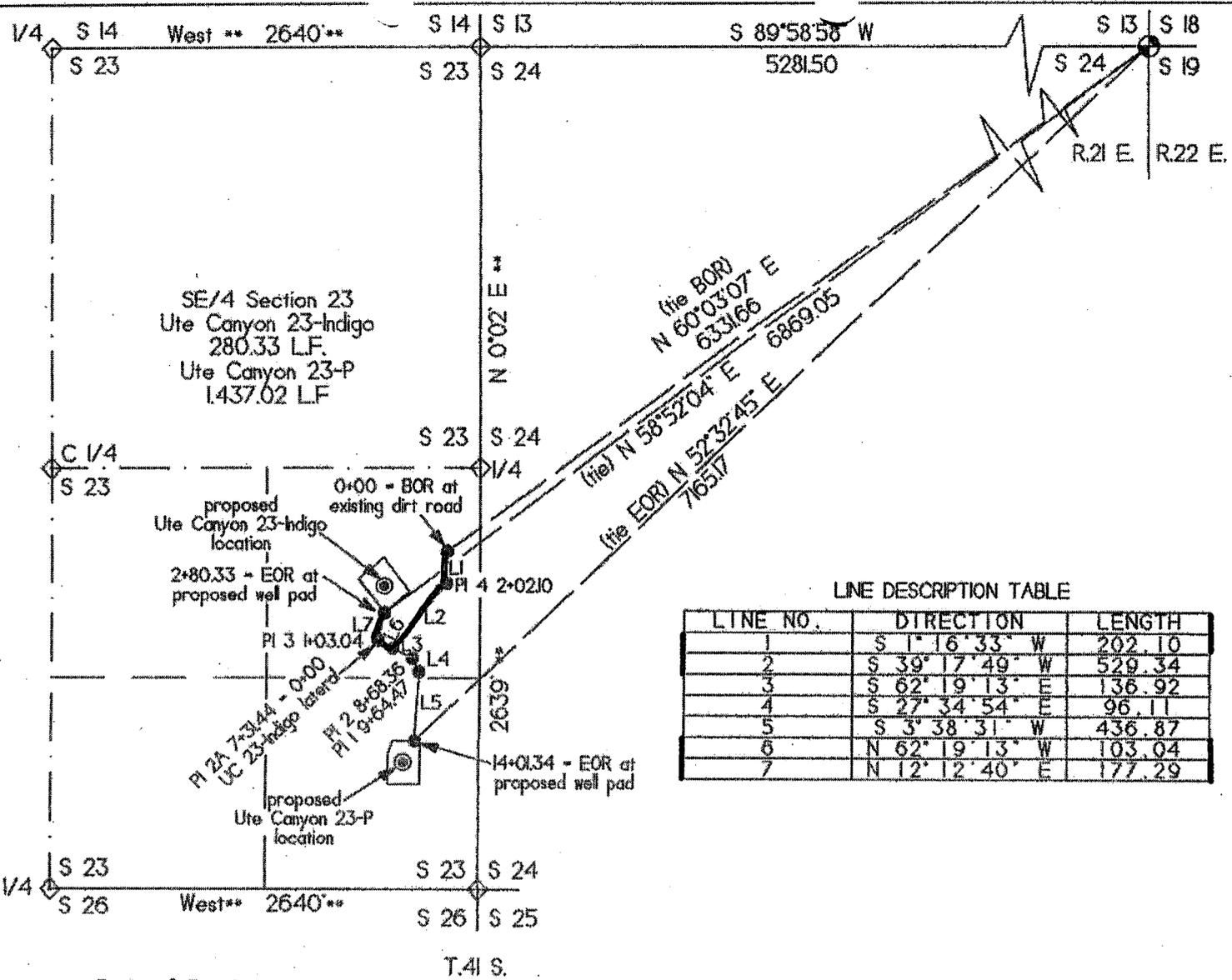
Wilson Groen
Navajo Nation Oil & Gas Co., Inc.
P. O. Box 4439
Window Rock, AZ 86515
(928) 871-4880



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



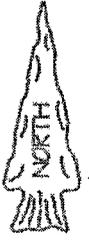
NAVAJO NATION OIL & GAS
 Access map to Ute Canyon 23 Indigo & P
 Sections 25, 24, 13 & 23, T.41 S., R.21 E.
 Section 19, T.41 S., R.22 E., SLM
 San Juan County, UT
 HUDDLESTON LAND SURVEYING 970 565 3330



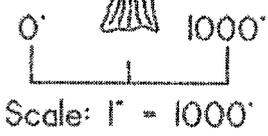
LINE DESCRIPTION TABLE

| LINE NO. | DIRECTION | LENGTH |
|----------|-----------------|--------|
| 1 | S 1° 16' 33" W | 202.10 |
| 2 | S 39° 17' 49" W | 529.34 |
| 3 | S 62° 19' 13" E | 136.92 |
| 4 | S 27° 34' 54" E | 96.11 |
| 5 | S 3° 38' 31" W | 436.87 |
| 6 | N 62° 19' 13" W | 103.04 |
| 7 | N 12° 12' 40" E | 177.29 |

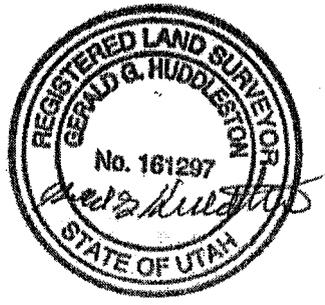
Basis of Bearing:
GPS state plane coordinates
rotated.



- * from BLM/GLO
- ** calculated
- *** assumed



- ⊕ fnd. std. GLO monument
- ◇ calculated corner
- survey centerline PI



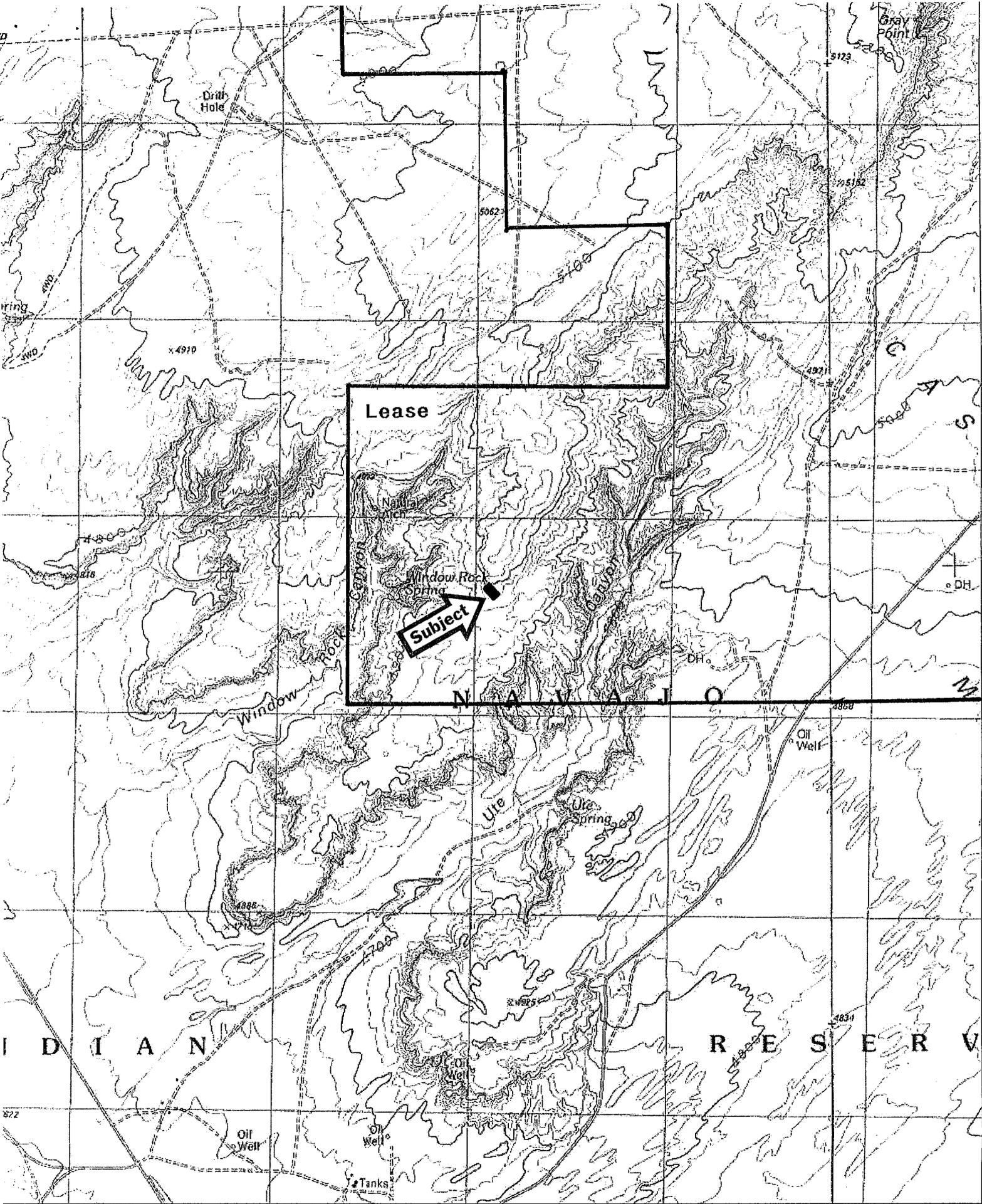
I, Gerald G. Huddleston, do hereby certify that this plat was prepared from field notes of an actual survey made by me or under my supervision and that the same is true and accurate to the best of my knowledge and belief.

NAVAJO NATION OIL & GAS CO. INC.

Proposed Ute Canyon 23-Indigo and
Ute Canyon 23-P access road -
Protracted Section 23,
T.41 S., R.21 E., SLM
San Juan County, Utah

revised July 15, 2007
May 6, 2007

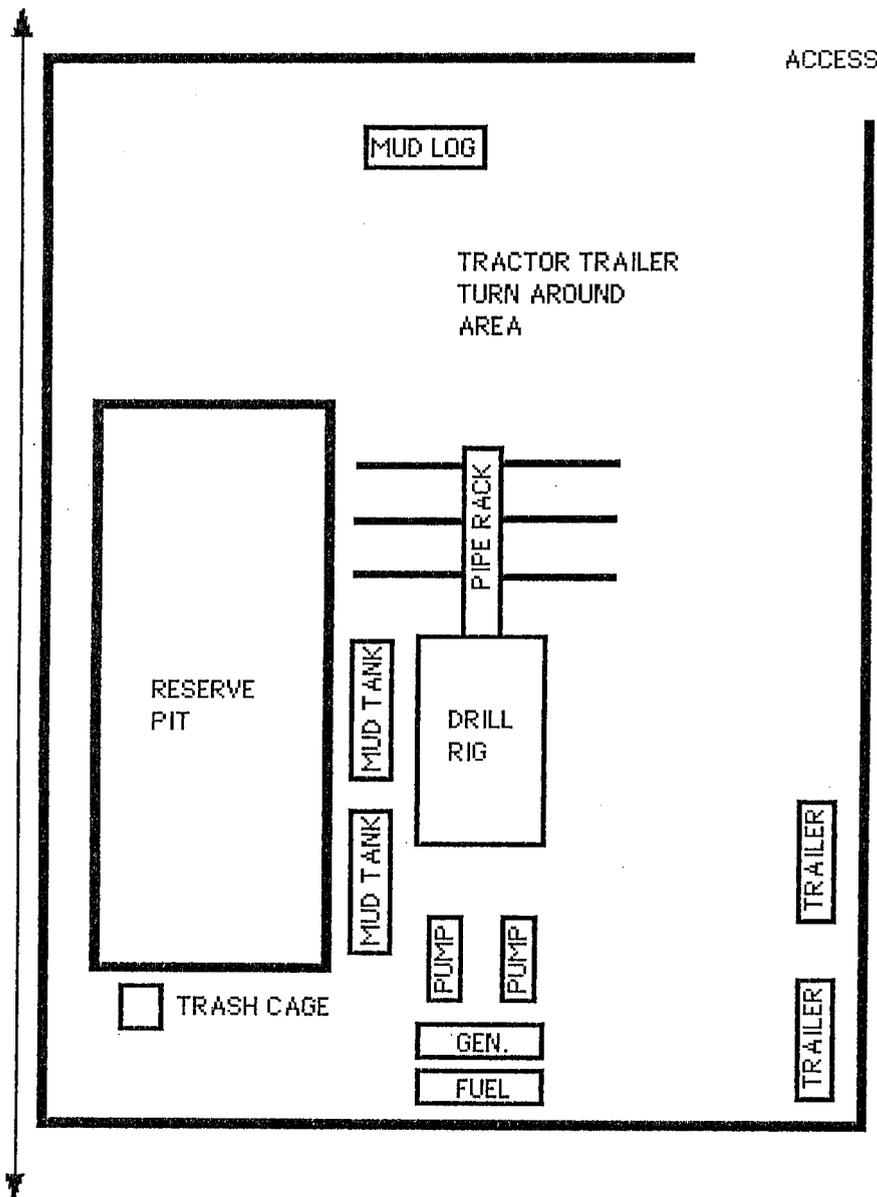
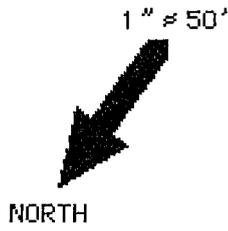
HUDDLESTON LAND SURVEYING
P.O. DRAWER KK / CORTEZ, CO 81321 / 970-565-3330



TN MN
11 1/2°



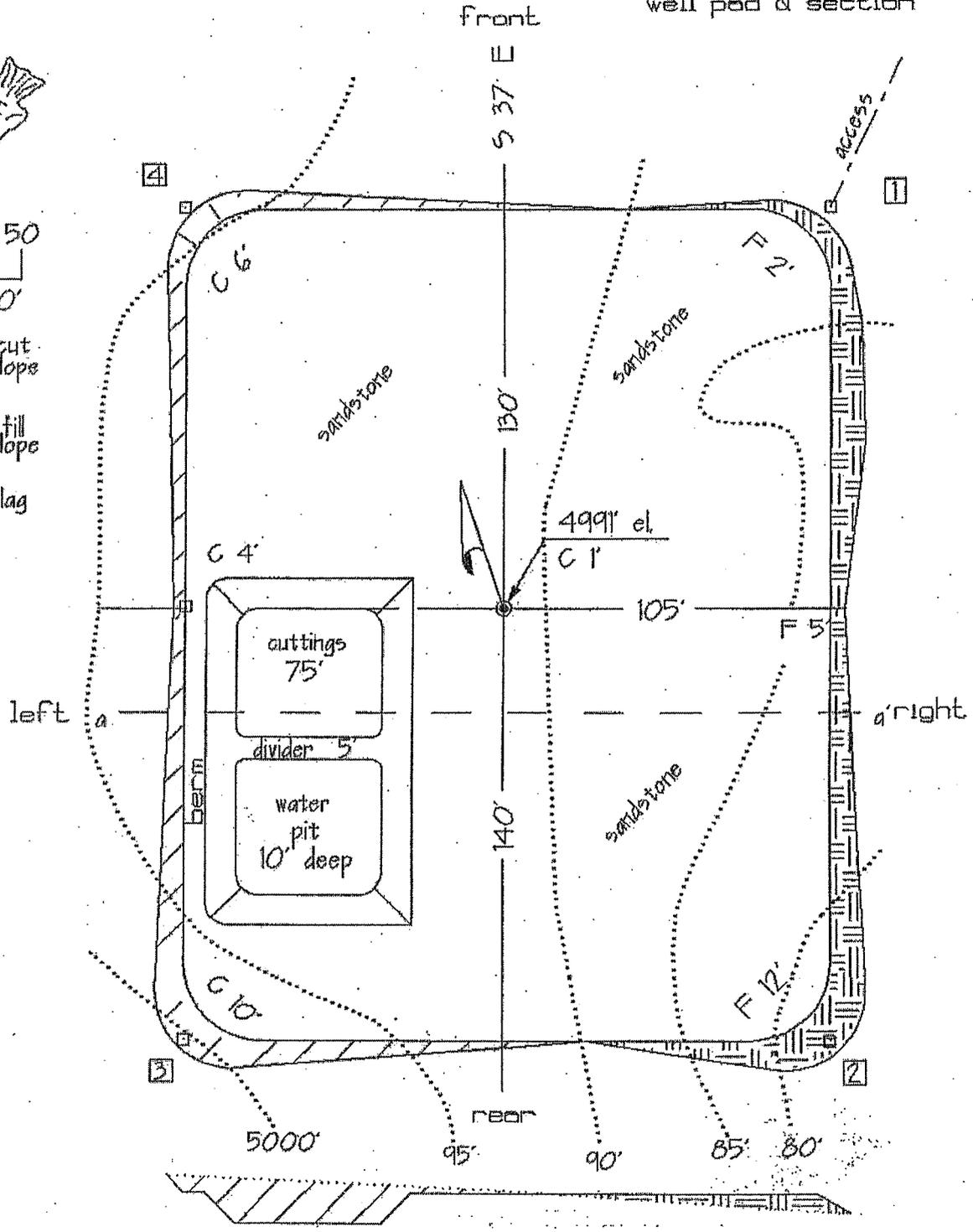
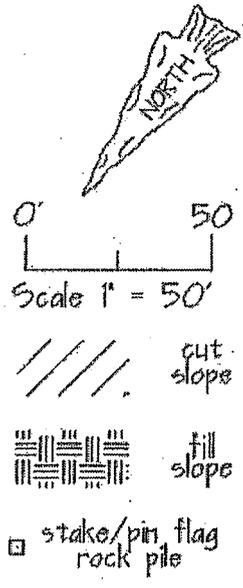
Navajo Nation Oil & Gas Co., Inc.
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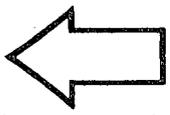
SAFETY BRIEFING AREA
≥100 YARDS FROM PAD

SAFETY BRIEFING AREA
≥100 YARDS FROM PAD

Ute Canyon 23-Indigo
well pad & section



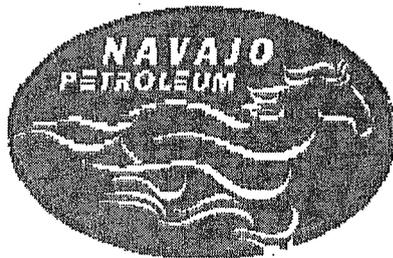
Cross section



PREVAILING WIND
FROM SOUTHWEST

Hydrogen Sulfide (H₂S) Contingency Plan
For Navajo Nation Oil & Gas, Inc.
Ute Canyon 23-P and Ute Canyon 23-Indigo
1900' FSL & 598' FEL
791' FSL & 475' FEL
Section 23, Township 41 South, Range 21 East
San Juan County, Utah

Navajo Nation Oil & Gas, Inc
Post Office Box 4439
Window Rock, Arizona 86515



Prepared By: Permits West, Inc
37 Verano Loop
Santa Fe, NM 87508

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Checklist for Drilling, Workover, and Maintenance in H₂S Environment

1. Two safety briefing areas at least 100 yards from well head and arranged so that one area will briefing area will always be upwind at all times. These sites should be located uphill whenever possible. (see site plan Appendix 3.4)
2. Identify direction of prevailing winds (see site plan Appendix 3.4)
3. At least two wind socks installed at all times
4. Primary and secondary emergency escape routes (flagged trail minimum)
5. Number, types, and storage location of H₂S emergency respirators for personnel, and number of personnel to be present onsite at any one time.
6. H₂S detector locations (3 minimum to include cellar or bell nipple and mud tanks at shale shaker). Type and location of visual and audible alarms to be used.
7. H₂S evacuation and emergency training procedures and schedule (i.e. Contingency Plan)
8. List of area residents with a two-mile radius, evacuation plan, and contact list (including agencies and individuals)
9. Types and quantities of mud additives and scavengers to be available at location for H₂S operations
10. Design features and operational procedures to be used to provide safe working environment (including a certification by the operator on the APD that all equipment meets standards for H₂S service
11. Appropriate warning signs and flags on all access roads
12. Provisions for blocking and monitoring access to location during critical incident
13. Ventilation fan under rig floor
14. In event of uncontrolled blowout, designation of local official has authority to ignite flow
15. Swabbing or drillstream fluids containing H₂S should be put through a separator to permit flaring of gas. Flare should have a continuous pilot light to ensure ignition of all such gas.

1.0 General

1.1 Description of Hydrogen Sulfide Gas

Hydrogen Sulfide (H_2S) is a colorless, transparent gas with a distinct and characteristic rotten-egg odor at low concentrations and not detectable by odor at high concentrations. H_2S at higher concentrations and/or over longer periods of exposure paralyzes the sense of smell for that specific smell. The gas is extremely toxic to humans and can easily become dangerous and lethal. Extreme care and caution is needed to prevent injury and/or death. H_2S has a specific gravity of 1.192 which is heavier than air. It therefore tends to accumulate in low places. This collection of gas can lead to dangerous concentrations in areas such as arroyos and drainages. H_2S from "downhole" is often warmer than surface air and will therefore tend to rise and therefore affect workers above the escaping source. Hydrogen Sulfide is explosive and water soluble.

1.2 Toxicity

American National Standards Institute standard: Z37.2-1972 Acceptable Concentrations of Hydrogen Sulfide describes H_2S toxicity in this way: Hydrogen Sulfide is an extremely toxic and irritating gas. Free hydrogen sulfide in the blood reduces its oxygen-carrying capacity, thereby depressing the nervous system. Hydrogen sulfide is oxidized quite rapidly to sulfates in the body, therefore no permanent aftereffects occur in cases of recovery from acute exposures unless oxygen deprivation of the nervous system is prolonged. There is no evidence that repeated exposures to hydrogen sulfide result in accumulative or systemic poisoning. Effects such as eye irritation, respiratory tract irritation, slow pulse rate, lassitude, digestive disturbances, and cold sweats may occur but these symptoms disappear in a relatively short time after removal from the exposure. Odors become detectable in concentrations as low as .008 parts per million (ppm) (California studies) but the sense of smell is lost after 2-15 minutes at 100 ppm.

1.3 H₂S First Aid and Treatment Procedures

- Victim should be removed to fresh air immediately**
- If victim is not breathing, rescue breathing or artificial breathing should be started immediately
- Treat for shock; keep victim warm and comfortable
- Call ambulance and/or doctor, take victim immediately to emergency room or other healthcare facility

****The rescuer(s) should always wear personal protective equipment when attempting to rescue a H₂S victim. It is important to never increase the number of victims unnecessarily during a H₂S emergency.**

2.0 Hydrogen Sulfide H₂S Contingency Plan

2.1 Introduction

This plan provides required procedures to be followed to adequately provide for a safe H₂S working environment. These required procedures include safety procedures, precautionary measures, and training for emergency and standard procedures. This document sets forth the responsibilities of the operator and all individuals and entities under employment or contract with the operator working in a sour gas (H₂S) area.

To make this contingency plan effective and in order to provide a safe working environment, cooperation from all individuals in a necessity, to this end each person onsite must understand normal and emergency operating procedures for this site. Each individual onsite must have adequate information, training, and practice with the specific procedures described in this Contingency Plan. It is the responsibility of both the operator to provide adequate equipment, training, and procedures as well as the individual "worker's" responsibility to participate fully in all H₂S procedures, to familiarize themselves with the location of all safety equipment and features, and to keep equipment and procedures in working order and up to date.

In order for Navajo Nation Oil & Gas, Inc. to provide a safe working environment for all "workers" and individuals in the vicinity of the well the safeguards are put in place. **Initiative rests with each and every individual for the safety of all. To this end the drilling foreman is required to and will enforce all safety procedures, for the benefit of all involved.**

2.2 Purpose

It is Navajo Nation Oil & Gas, Inc.'s intention to provide a safe working environment for all employees, contractors, and others involved with the drilling of its wells. There exists the possibility of encountering toxic H₂S gas during the construction, completion, and maintenance of this well. To such end, this H₂S contingency plan will be put into effect after surface casing is drilled or when it is deemed necessary by the BLM in consultation with Navajo Nation Oil & Gas, Inc.'s geologist and management.

Safety procedures are established for each person's safety connected with the operation and for the safety of the residents of the local area.

These procedures will be strictly enforced by Navajo Nation Oil & Gas, Inc.'s foreman. Non compliance may result in loss of pay or dismissal from the sight, job, or employment.

2.3 Operating Procedures

Before this H₂S contingency plan is operational, all personnel that is to be involved with operation shall be thoroughly trained* in the proper use of breathing apparatus (i.e. SCBAs and Escape Units), emergency procedures, and H₂S first aid and rescue methods. An approved list of trained personnel will be supplied by the safety company and stored with the drilling foreman.**

*Required training for operation personnel will include, but not be limited to, H₂S safety course from an approved training company, safety briefing on drill site of all safety equipment use and locations before the start of work for each and every person onsite, safety related training in-place, on-site 1,000 feet before the first H₂S formation.

**Throughout this contingency plan breathing apparatus shall be understood as

- a) A Self-Contained Breathing Apparatus (SCBA) manufactured such as Scott Industrial c100 or similar.
- b) Or an emergency Escape Unit such as the Scott SCRAM or Elsa (or similar) often referred to as hip packs, hoods, or pony bottles.

The two types of breathing apparatus will be differentiated as a SCBA or an Escape Unit as required.

2.3.1 Safety Equipment

Personal H₂S monitors- Every person onsite will be required to where a personal H₂S monitor at all times, while onsite. Monitors will not be worn on hard hats, but should be worn on the waste belt or preferably near the chest in-front.

Breathing Apparatus- all personnel on the drill site will be assigned an individual breathing apparatus unit. This may be either a escape unit or a SCBA unit. A minimum of two SCBA type units will be onsite. These units will be used by the team whose duty it is to serve as the onsite rescue team.

Monitoring and Recording Devices-An experienced safety company (such as DXP Safety Alliance, Farmington, NM) will be responsible for the installation and monitoring of H₂S detectors placed on site. These units will be tested and recalibrated as the safety company requires. If H₂S is detected, the monitors will be tested and recalibrated at least every 12 hours. This monitoring system may or may not be integral to the required two stage alarm system on site. This two stage system (visual and audio) will have a minimum of three H₂S detector locations. Monitors will be located one, in the cellar or on the bell nipple, two, at the mud tanks' shale shaker, and three, to be determined by the safety company. Visual (light) and audio (siren) will activate when H₂S concentrations reach 10 ppm.

First-Aid and rescue equipment-Stored on-site, but ideally up-hill and up-wind from H₂S sources a minimum of one "rescue pack" will contain at least:

- 1 backboard, straps, headblocks
- a set of cervical collars (s-xl)
- 1 bag valve mask
- 1 bottle of oxygen
- gauze and other standard first-aid items

suggested 1 AED (automatic external defibrillator).

Gas Monitor-An appropriate monitor should be on-site that can measure for LLE, VOC, and other explosive or hazardous gasses.

2.3.2 Safety Procedures

Cascade System- Every person required to perform duties within "safety zones" (see list below) will be provided with breathing equipment attached to a cascade air system. These areas are as follows

- rig floor
- mud pit
- derrick
- shale shaker
- mud hopper and bulk hopper
- all hazardous locations will be accessible by hose and work pack (SCBA)

Escape Routes- Two escape routes will be at a minimum flagged and kept clear at all times.

Safety Briefing Areas-Two safety briefing areas will be located at the end of escape routes (see above). The briefing areas will be clearly marked, up-hill, and located so that one site is always up wind. Please see attached site map for safety briefing areas in Appendix 3.4.

Safety, first-aid, and rescue equipment-will be stored properly onsite using best practices. This will include proper maintenance and scheduled testing, inspection, training/practice.

Service companies- All service companies will be required briefed regarding potential hazards of the well site including the presence (or potential for) H₂S. These companies will be required to provide breathing apparatus and training to their employees. No service company personnel will be allowed onsite without meeting these requirements. In addition a safety briefing under the direction of the drill foreman regarding site specific H₂S procedures will be provided to each new personnel member reporting on-site.

Drills and practice- Drills reviewing all and any safety procedures including evacuation, rescue, and proper procedures to shut-in a well, and identify source of H₂S in instance of a leak will be practiced under the supervision of the safety company representative and company foreman. Proper use of breathing apparatus will be instructed during such drills. Drill schedule will be designed to familiarize new personnel with all safety procedures. Each crew should also be familiar with all operations. Drills should include a short work period in safety equipment.

Warning Signs- Warning signs will be posted at all access roads. "No smoking" signs will be posted at access points as well. Signs will be posted more than 200 feet and no more that 500 from well pad. When H₂S is present at 10 ppm or greater a red flag shall be displayed on warning sign. Gates, road barricades, and or gate guards will be used if necessary to prevent access during critical or hazardous situations.

Wind Socks- A minimum of two wind socks should be installed at location easily observable from all work areas. If more than two windsocks are needed in order to allow "workers" at all times to easily identify the wind direction; more windsock will be installed.

Vehicle Parking- Vehicles should be parked 200ft from well site with there noses pointing away from the well site. Preferably vehicles will be located up hill and up wind from the well along the escape route.

Testing Fluids- Swabbing and testing fluids containing H₂S will be pass through a separator to permit flaring of the gas. There will be a pilot light in such instances.

Bug Blowers- Circulation will be provided by explosion proof electric fans to all critical locations when necessary.

Drills reviewing all and any safety procedures including evacuation, rescue, and proper procedures to shut-in a well, and identify source of H₂S in instance of a leak will be practiced under the supervision of the safety company representative and company foreman. Proper use of breathing apparatus will be instructed during such drills. Drill schedule will be designed to familiarize new personnel with all safety procedures. Each crew should also be familiar with all operations. Drills should include a short work period in safety equipment.

2.3.3 Working Conditions

Occupational Safety and Health Administration (OSHA) has set guidelines for Permissible Exposure Limits (PEL) This standard is to be considered the threshold **never to be exceeded** for the health and safety of all workers on this site. Ideally, exposure would never be this high.

2.3.3.1 Exposure Limits

OSHA Permissible Exposure Limit (PEL) for General Industry: 29 CFR 1910.1000 Z-2 Table -- Exposures shall not exceed 20 ppm (ceiling) with the following exception: if no other measurable exposure occurs during the 8-hour work shift, exposures may exceed 20 ppm, but not more than 50 ppm (peak), for a single time period up to 10 minutes.

OSHA Permissible Exposure Limit (PEL) for Construction Industry: 29 CFR 1926.55 Appendix A -- 10 ppm, 15 mg/m³ TWA (accessed via the internet at: http://www.osha.gov/dts/chemicalsampling/data/CH_246800.html#exposure on 19 July 2007)

The maximum exposure limit for an 8 hour day is less than 10 ppm.

2.4 H₂S Emergency Procedures

2.4.1 Incident

H₂S alarm system activation. Light and siren warnings or personal H₂S monitor activation for any one “worker.”

2.4.2 Primary Emergency Procedure

- i. All rig crew personnel and all auxiliary personnel must **DON BREATHING APPARATUS IMMEDIATELY.**
- ii. Rig crew should mask up with SCBA type work packs preferentially
- iii. All auxiliary crew should move to safety briefing area, uphill and upwind.
- iv. All non-essential personal should continue to evacuate site.

2.4.3 Secondary Emergency Procedure

I. Supervisory Personnel

- i. Company Foreman
 - a. Proceed to cascade trailer and check for safe operation of cascade system
 - b. Proceed to active safety briefing areas and account for all personnel. If all personnel are not accounted for initiate appropriate search.
 - c. Return to drilling floor and supervise operations
- ii. Toolpusher
 - a. Proceed to cascade trailer and check if Company Foreman is operating cascade system safely. If NOT ensure safe operations of the cascade system.
 - b. Proceed to drilling floor and supervise operations. Make sure all crew members are accounted for and institute buddy system. If all personnel are not accounted for, initiate appropriate search.

II. Rig Crew

- i. Driller
 - a. if drilling

1. after donning breathing apparatus proceed to console and raise Kelly to slip set position

2. shut down mud pumps

3. monitor well flow, remain at console

4. using hand signals verify all personnel are at stations, verify company man and toolpusher's position, initiate search if well is not flowing

b. If tripping

1. after donning breathing apparatus put pipe in the slip-set position

2. stab safety valve, close safety valve

3. monitor well flow-remain at console

4. watch derrickman descend from derrick, verify all personnel locations, verify company man and toolpusher's position, initiate search if well is not flowing

c. if well is flowing

1. after donning breathing apparatus, shut well in HARD

2. verify all personnel locations, verify company man and toolpusher's position, initiate search if necessary

3. obtain necessary pressures for well control

4. Proceed to safety briefing area with crew, plan well control operations with all personnel

ii. Derrickman

- a. after donning breathing apparatus, go to pit side window on the floor whether drilling or tripping (descend derrick)

- b. maintain visual contact with driller and monitor flow

- c. if mud properties are needed, then proceed to the shaker with "buddy"

- d. monitor other hands on pit side of rig visually

- e. proceed to open manual well-head if necessary (with "buddy")

iii. Motorman

- a. after donning breathing apparatus, go to the cascade system and ensure safe operation
- b. maintain visual contact with chain hand on doghouse side of floor

iv. Chainhand

- a. after donning breathing apparatus, stab safety valve if tripping
- b. go to doghouse/pipe-rack and maintain visual contact with driller and motorman

v. Floorman

- a. after donning breathing apparatus, stab safety valve if tripping
- b. aid driller while maintaining visual contact with driller, derrickman, and chainhand

III. Auxiliary Personnel

- i. Mud engineer and Company man or geologist are to act as wardens. Wardens must account for all other auxiliary crew.
- ii. All auxiliary crew are to remain in safety briefing area unless evacuated by wardens.
- iii. Wardens organize search with notification from company. All searches are to be done with "buddy". Geologist warden should remain in safety briefing area.

2.4.4 Igniting the Well

I. Decision

- i. The Company Foreman holds the responsibility for the decision to ignite a well. In the case where he is incapacitated or absent authority passes to the toolpusher and then the contract driller
- ii. the decision to ignite the well is only to be made as a last resort safety measure when
 - a. there is threat human life and grave threat to

b. there is no alternative way of containing the well given the emergency faced.

c. an attempt was made to contact area office (circumstances permitting)*

***when human life is threatened no delay in decision making can be afforded**

I. Instructions for Igniting the Well

- i. Two men are required for ignition
- ii. Both men will wear SCBAs and have 200 foot retrieval cords tied to there wastes
- iii. One man will measure the atmosphere for explosive gasses with appropriate meter.
- iv. The other will remain in the safety briefing area
- v. Others in the briefing area are to remain aware of both men and aid as able. If either tethered man is overcome by gas, he should be pulled to safety.
- vi. The well should be lit with a 25 mm meterotype flare gun when well conditions allow. The safest method of igniting the well should always be used.
- vii. Burning H₂S will produce sulfur dioxide which is poisonous. The area, therefore is not safe once the well has ignited. Continue to observe all emergency procedures and follow orders from supervisors and the area office. Notice of incident should be reported to all appropriate authorities.

3.0 Appendices

3.1 Check List for Safety Equipment (designed for a maximum of 11 people)

- Safety Trailer housing cascade system at least ten 300 cu. ft. bottles of compressed air
- 7 SCBA type breathing apparatus with 45 cu. ft. bottles
- 5 breathing masks connected to the cascade system with 7 cu. ft. pony bottles
- 2 extra 300 cu. ft. bottles able to refill SCBA bottles to be placed at the safety briefing areas
- 2 Wind socks
- 1 Flare gun and flares
- 1 rescue pack (as described in section 2.3.1)
- Warning signs for access (flags for marking conditions)
- "Safety Briefing Area" signs, evacuation route flags
- H₂S monitors (personnel and stationary)
- Alarm system (audio and visual—explosion proof)
- Gas Monitor

3.2 Emergency Phone Numbers

Navajo Nation Oil & Gas Company Personnel to be Notified

| | | |
|---------------|--------------------|---|
| Wilson Groen | President | Office: (928) 871-4880 Cellular: (505) 879-6483 Direct (928) 871-8501 |
| Rich Ferris | Cell: 303-618-2925 | Home: 303-693-9207 |
| Sam Butler | Cell: 303-888-8920 | Home: 303-329-9418 |
| Sallie Tippie | Cell: 303-884-8875 | Home: 303-331-8695 |

Safety Company Personnel

| | | |
|--------|------------|--------------------------------|
| (Name) | (Position) | (Number work) (Number home) |
| (Name) | (Position) | (Number work) (Number home) |

Local Agencies

| | | |
|---|--------------|-----------------------|
| San Juan County Fire Department | (Monticello) | 911 (435) 587-3225 |
| San Juan County Sheriff (Monticello) | | 911 (435) 587-2237 |
| San Juan County Emergency Management (Monticello) | | (435)-587-3225 |
| Blanding Medical Center 804 North 400 West, Blanding, UT | | (435) 678-2254 |
| San Juan Hospital 364 West 100 North, Monticello, UT | | (435) 587-2116 |
| Navajo Nation Police (Montezuma Creek) | | (505) 368-1350 |
| (Monument Valley) | | (505) 325-0022 |

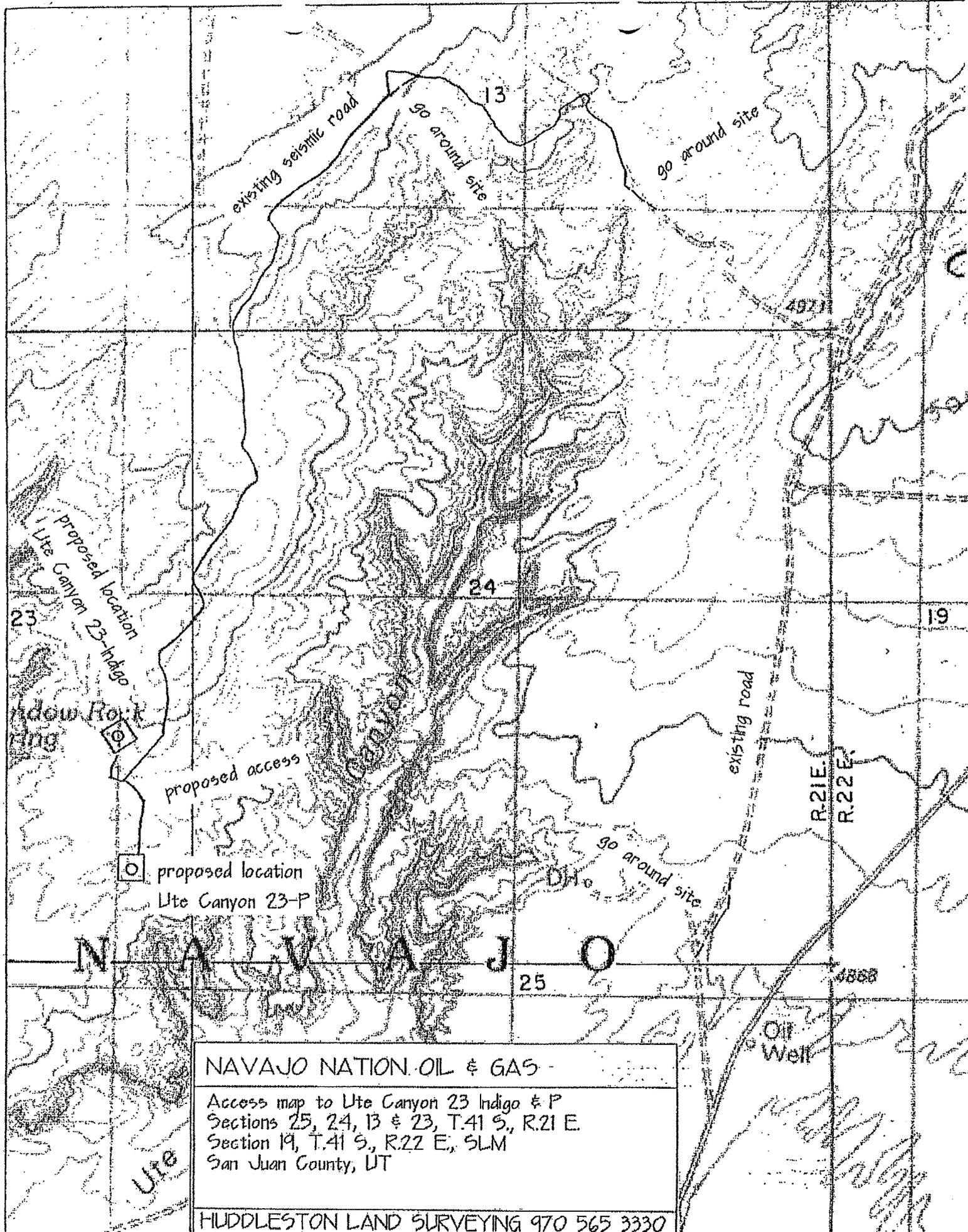
Other Government Agencies

| | | |
|--------------------------|-------------------------|----------------|
| National Response Center | | 800-424-8802 |
| BLM | Monticello Field Office | (435) 587-1500 |
| | Jeff Brown | (435) 587-1525 |

| | | |
|---|---------------------------------------|----------------------|
| | Mobile | (435) 459-4886 |
| | Field Manager | (435) 587-1505 |
| BLM | Farmington Field Office | (505) 599-8900 |
| | Emergency line | (505) 599-8907 |
| | Jim Lovato | (505) 599-6367 |
| BIA, Window Rock | Bertha Spencer | (928) 871-5938 |
| Utah Division of Oil, Gas and Mining (SLC) | | |
| | During Office Hours | (801) 538-5340 |
| | After Hours | (801) 243-9466 |
| Utah State Emergency Response Commission | | (801) 536-4123 |
| Utah Highway Patrol (Monticello) | | (435) 587-2000 |
| Mexican Water Chapter House | | (928) 674-3641 |
| Red Mea Chapter House | | (928) 656-3655 |
| Utah Health Department (Price) | | (435) 637-3671 |
| US EPA Region 8 (Denver) | | (800) 227-8917 |
| Navajo Nation Minerals Dept. (Window Rock,AZ) | | (928) 871-6587 |
| | | |
| Veterinarian | Angel Peak Vet. Hospital (Farmington) | (505) 632-3561 |
| Veterinarian | Farmington Veterinary Clinic | (505) 325-7462 |
| Veterinarian | Watkins, Clyde H. DVM | (435) 678-2414 |
| | | |
| Helicopter | New Air Helicopters (Durango) | (970) 259-6247 |
| Helicopter | Heli NM (Albuquerque) | (866) 995 1058 |
| Blanding Air Ambulance | | (800) 742-8787 |
| Classic Aviation | | (800)-444-9220 ext 5 |

3.3 Emergency Phone Numbers Local Residents within 2 miles

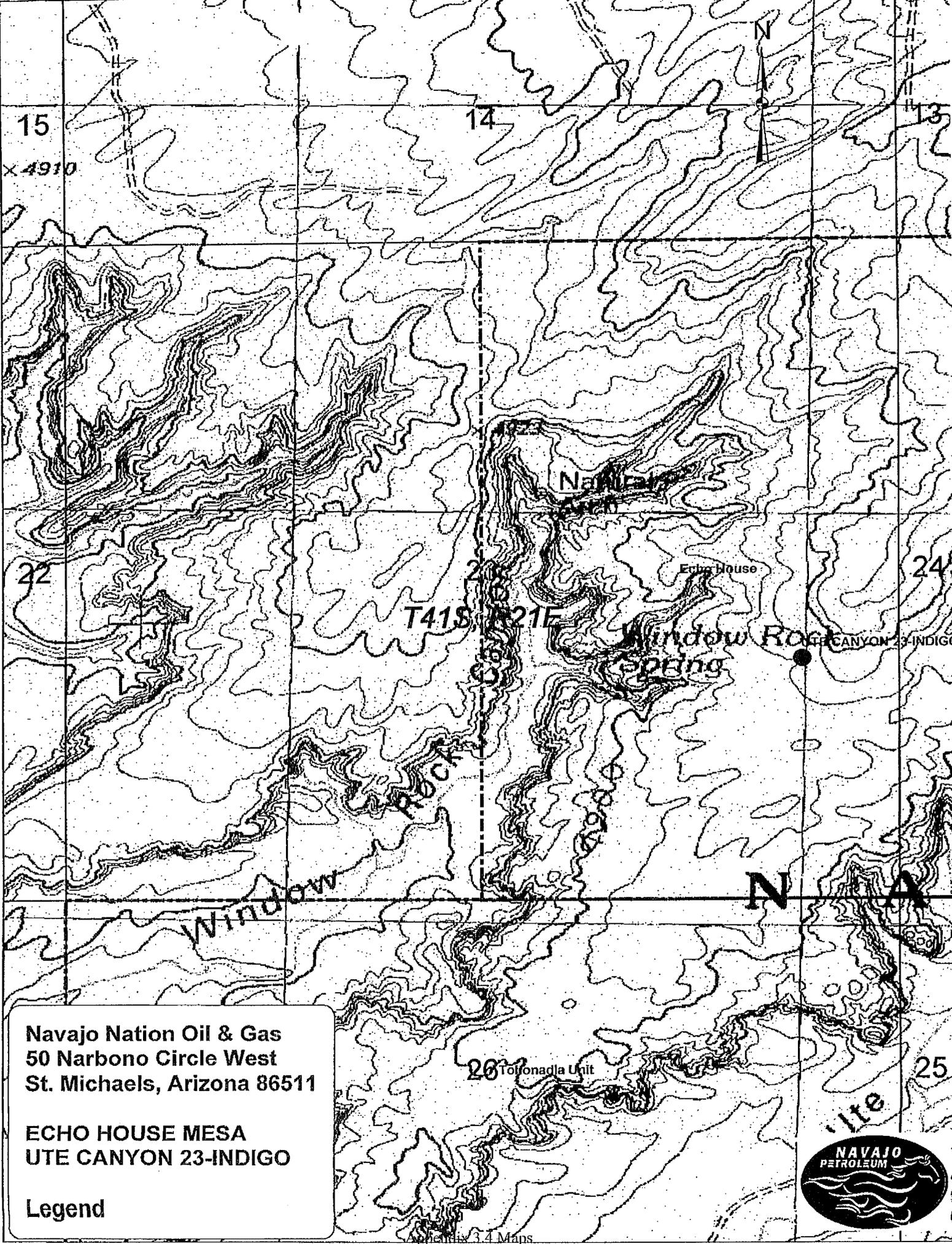
No residences are located within two miles of the proposed location.



NAVAJO NATION. OIL & GAS

Access map to Ute Canyon 23 Indigo & P
 Sections 25, 24, 13 & 23, T.41 S., R.21 E.
 Section 19, T.41 S., R.22 E., SLM
 San Juan County, UT

HUDDLESTON LAND SURVEYING 970 565 3330

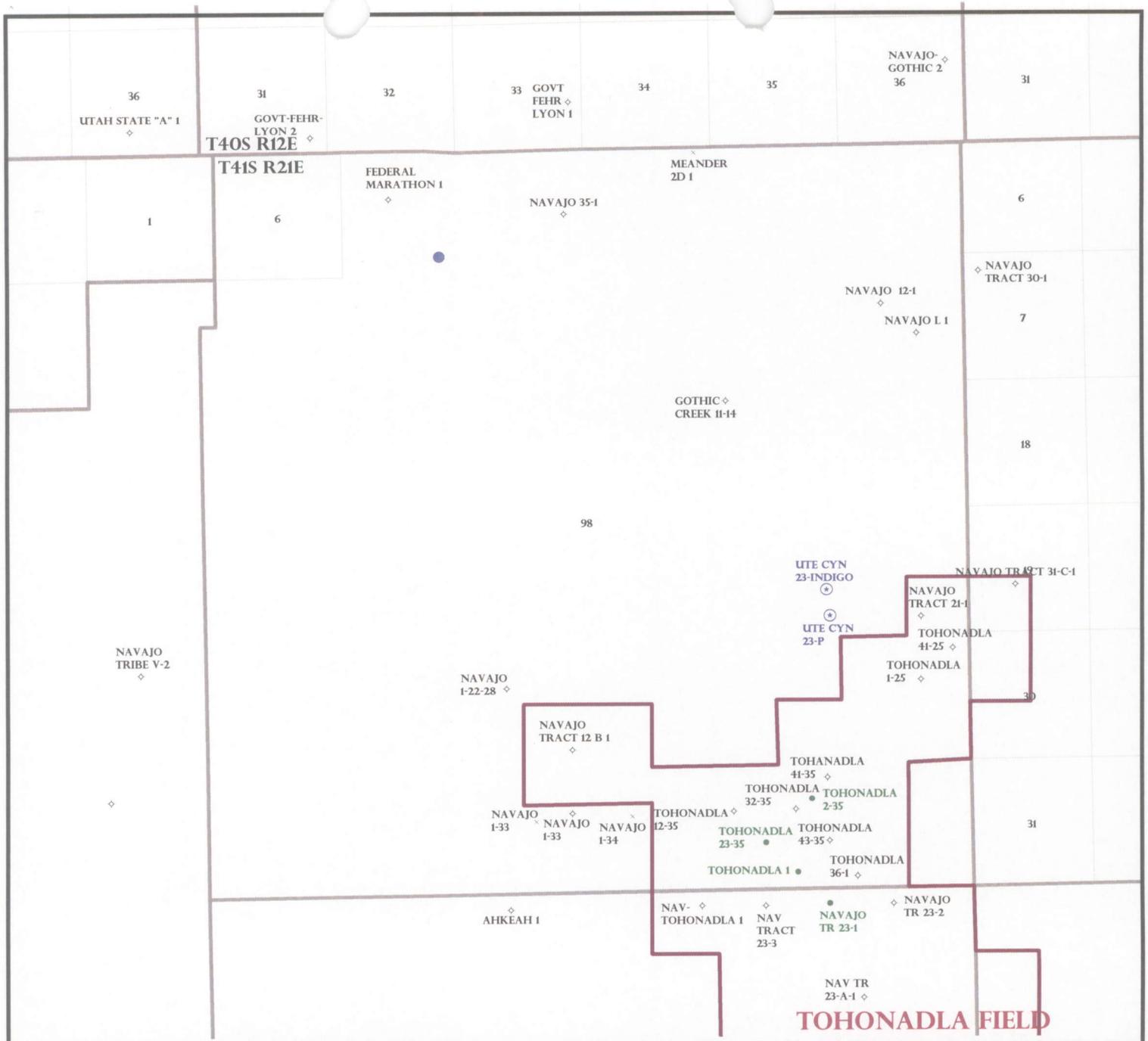


Navajo Nation Oil & Gas
 50 Narbano Circle West
 St. Michaels, Arizona 86511

ECHO HOUSE MESA
 UTE CANYON 23-INDIGO

Legend





TOHONADLA FIELD

OPERATOR: NAVAJO NATIONS O&G (N2550)

SEC: 23 T.41S R. 21E

FIELD: UNDESIGNATED (002)

COUNTY: SAN JUAN

SPACING: R649-3-2 / GENERAL SITING

| Field Status | |
|--------------|------------|
| | ABANDONED |
| | ACTIVE |
| | COMBINED |
| | INACTIVE |
| | PROPOSED |
| | STORAGE |
| | TERMINATED |

| Unit Status | |
|-------------|--------------|
| | EXPLORATORY |
| | GAS STORAGE |
| | NF PP OIL |
| | NF SECONDARY |
| | PENDING |
| | PI OIL |
| | PP GAS |
| | PP GEOTHERML |
| | PP OIL |
| | SECONDARY |
| | TERMINATED |

Wells Status

- GAS INJECTION
- GAS STORAGE
- LOCATION ABANDONED
- NEW LOCATION
- PLUGGED & ABANDONED
- PRODUCING GAS
- PRODUCING OIL
- SHUT-IN GAS
- SHUT-IN OIL
- TEMP. ABANDONED
- TEST WELL
- WATER INJECTION
- WATER SUPPLY
- WATER DISPOSAL
- DRILLING



OIL, GAS & MINING



PREPARED BY: DIANA MASON
DATE: 03-JANUARY-2008



JON M. HUNTSMAN, JR.
Governor

GARY R. HERBERT
Lieutenant Governor

State of Utah

DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER
Executive Director

Division of Oil Gas and Mining

JOHN R. BAZA
Division Director

January 3, 2008

Navajo Nation Oil & Gas Co., Inc.
P O Box 4439
Window Rock, AZ 86515

Re: Ute Canyon 23-Indigo Well, 1900' FSL, 598' FEL, NE SE, Sec. 23, T. 41 South,
R. 21 East, San Juan County, Utah

Gentlemen:

Pursuant to the provisions and requirements of Utah Code Ann. § 40-6-1 *et seq.*, Utah Administrative Code R649-3-1 *et seq.*, and the attached Conditions of Approval, approval to drill the referenced well is granted.

This approval shall expire one year from the above date unless substantial and continuous operation is underway, or a request for extension is made prior to the expiration date. The API identification number assigned to this well is 43-037-31880.

Sincerely,

Gil Hunt
Associate Director

pab
Enclosures

cc: San Juan County Assessor
Bureau of Land Management, Moab Office

Operator: Navajo Nation Oil & Gas Co., Inc.

Well Name & Number Ute Canyon 23-Indigo

API Number: 43-037-31880

Lease: NO-G-0402-1709

Location: NE SE **Sec.** 23 **T.** 41 South **R.** 21 East

Conditions of Approval

1. General

Compliance with the requirements of Utah Admin. R. 649-1 *et seq.*, the Oil and Gas Conservation General Rules, and the applicable terms and provisions of the approved Application for permit to drill.

2. Notification Requirements

Notify the Division within 24 hours of spudding the well.

- Contact Carol Daniels at (801) 538-5284.

Notify the Division prior to commencing operations to plug and abandon the well.

- Contact Dustin Doucet at (801) 538-5281 office (801) 733-0983 home

3. Reporting Requirements

All required reports, forms and submittals will be promptly filed with the Division, including but not limited to the Entity Action Form (Form 6), Report of Water Encountered During Drilling (Form 7), Weekly Progress Reports for drilling and completion operations, and Sundry Notices and Reports on Wells requesting approval of change of plans or other operational actions.

4. State approval of this well does not supersede the required federal approval, which must be obtained prior to drilling.

5. This proposed well is located in an area for which drilling units (well spacing patterns) have not been established through an order of the Board of Oil, Gas and Mining (the "Board"). In order to avoid the possibility of waste or injury to correlative rights, the operator is requested, once the well has been drilled, completed, and has produced, to analyze geological and engineering data generated therefrom, as well as any similar data from surrounding areas if available. As soon as is practicable after completion of its analysis, and if the analysis suggests an area larger than the quarter-quarter section upon which the well is located is being drained, the operator is requested to seek an appropriate order from the Board establishing drilling and spacing units in conformance with such analysis by filing a Request for Agency Action with the Board.

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

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

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.

5. Lease Serial No.
NO-G-0402-1709

6. If Indian, Allottee or Tribe Name
NAVAJO NATION

7. If Unit or CA/Agreement, Name and/or No.

8. Well Name and No.
UTE CANYON 23-INDIGO

9. API Well No.
43-037-31880

10. Field and Pool, or Exploratory Area
UNDESIGNATED

11. County or Parish, State
SAN JUAN COUNTY, UT

SUBMIT IN TRIPLICATE- Other instructions on reverse side.

1. Type of Well
 Oil Well Gas Well Other

2. Name of Operator
NAVAJO NATION OIL & GAS CO., INC.

3a. Address
P. O. BOX 4439, WINDOW ROCK, AZ 86515

3b. Phone No. (include area code)
928 871-4880

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)
1900' FSL & 598' FEL 23-41S-21E SLM

12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

| TYPE OF SUBMISSION | TYPE OF ACTION | | | |
|--|---|--|--|---|
| <input checked="" type="checkbox"/> Notice of Intent | <input type="checkbox"/> Acidize | <input type="checkbox"/> Deepen | <input type="checkbox"/> Production (Start/Resume) | <input type="checkbox"/> Water Shut-Off |
| <input type="checkbox"/> Subsequent Report | <input type="checkbox"/> Alter Casing | <input type="checkbox"/> Fracture Treat | <input type="checkbox"/> Reclamation | <input type="checkbox"/> Well Integrity |
| <input type="checkbox"/> Final Abandonment Notice | <input type="checkbox"/> Casing Repair | <input checked="" type="checkbox"/> New Construction | <input type="checkbox"/> Recomplete | <input checked="" type="checkbox"/> Other ROAD |
| | <input type="checkbox"/> Change Plans | <input type="checkbox"/> Plug and Abandon | <input type="checkbox"/> Temporarily Abandon | |
| | <input type="checkbox"/> Convert to Injection | <input type="checkbox"/> Plug Back | <input type="checkbox"/> Water Disposal | |

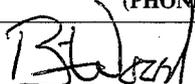
13. Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recomplete horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompletion in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

As requested by Navajo Nation Fish & Wildlife Department, road has been realigned to west as shown on attached map. Distance from County Road 441 to well site is 23,208'.

Accepted by the
Utah Division of
Oil, Gas and Mining
For Record Only

cc: BIA, BLM, Groen

14. I hereby certify that the foregoing is true and correct
Name (Printed/Typed) **BRIAN WOOD** (PHONE 505 466-8120) Title **CONSULTANT** (FAX 505 466-9682)

Signature  Date **10/12/2008**

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

| | | |
|---|-------------|------------|
| Approved by _____ | Title _____ | Date _____ |
| Conditions of approval, if any, are attached. Approval of this notice 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. | | |
| Office _____ | | |

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.

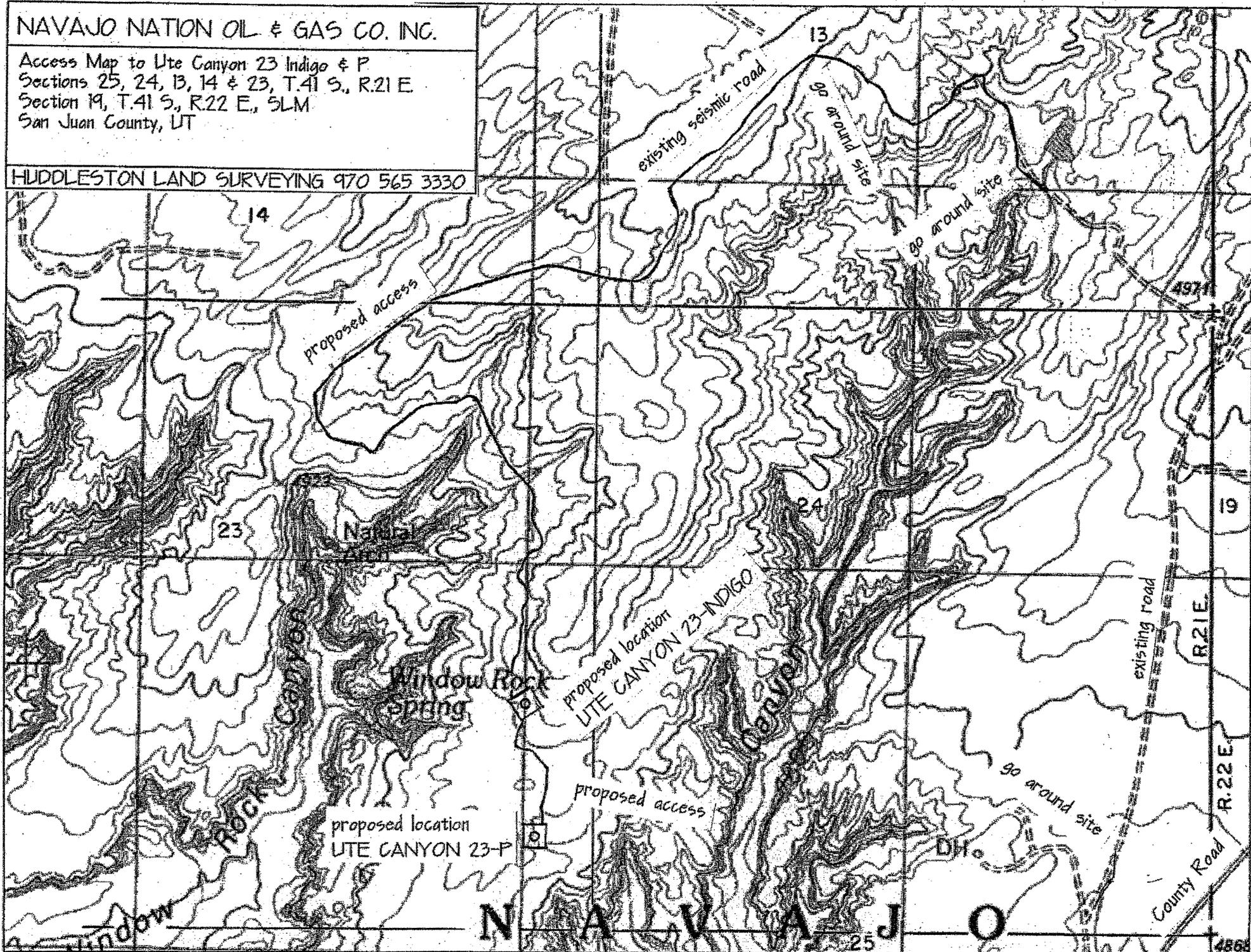
(Instructions on page 2)

RECEIVED
OCT 16 2008
DIV. OF OIL, GAS & MINING

NAVAJO NATION OIL & GAS CO. INC.

Access Map to Ute Canyon 23 Indigo & P
Sections 25, 24, 13, 14 & 23, T.41 S., R.21 E.
Section 19, T.41 S., R.22 E., 5LM
San Juan County, UT

HIDDLESTON LAND SURVEYING 970 565 3330





JON M. HUNTSMAN, JR.
Governor

GARY R. HERBERT
Lieutenant Governor

State of Utah

DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER
Executive Director

Division of Oil, Gas and Mining

JOHN R. BAZA
Division Director

March 5, 2009

Navajo Nation Oil & Gas Co., Inc.
P.O. BOX 4439
Window Rock, AZ 86515

Re: APD Rescinded – Ute Canyon 23-Indigo, Sec. 23, T. 41S, R. 21E
San Juan County, Utah API No. 43-037-31880

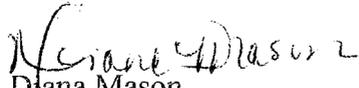
Ladies and Gentlemen:

The Application for Permit to Drill (APD) for the subject well was approved by the Division of Oil, Gas and Mining (Division) on January 3, 2008. No drilling activity at this location has been reported to the division. Therefore, approval to drill the well is hereby rescinded, effective March 5, 2009.

A new APD must be filed with this office for approval prior to the commencement of any future work on the subject location.

If any previously unreported operations have been performed on this well location, it is imperative that you notify the Division immediately.

Sincerely,


Diana Mason
Environmental Scientist

cc: Well File
Bureau of Land Management, Moab





United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Farmington District Office
1235 La Plata Highway - Suite A
Farmington, New Mexico 87401



IN REPLY, REFER TO:
NO-G-0402-1709
3162.3-1 (NMF0110)

February 28, 2011

RECEIVED
MAR 03 2011
DIV. OF OIL, GAS & MINING

Navajo Nation Oil & Gas Company
Attn: Lauren Germinario, RL Land Manager
1675 Broadway, Suite 1100
Denver, Colorado 80202

43037-31880

Dear Ms. Germinario:

Please be advised that the following approved Application for Permit to Drill (APD) has expired. If you wish to drill this well at some later date, you must file another application to permit to drill.

**Ute Canyon Indigo #23, located 1900' FSL and 598' FEL, Section 23, T. 41 S. R. 21 E.,
San Juan County, Utah on Indian Lease NO-G-0402-1709.
API Number: 43-037-31880**

If any surface disturbance was conducted, you must file your plans for reclamation.

Under 43 CFR 3165.3, you may request an Administrative Review of any instructions, orders, or decisions issued by the Authorized Officer. Such a request, including all supporting documents, must be filed in writing within 20 business days of receipt of this notice and must be filed with the State Director, Bureau of Land Management, P.O. Box 27115, Santa Fe, New Mexico 87502-0115. Such a request will not result in a suspension of the instructions, orders, or decisions unless the reviewing official so determines. Procedures governing appeals from the instructions, orders, or decisions are contained in 43 CFR 3165.4 and 43 CFR 4.400 et. Seq.

If you have any questions, contact Cynthia Marquez at (505) 599-8935.

Cynthia Marquez,
/s/ Cynthia Marquez
Land Law Examiner
Petroleum Management Team

CC: BIA
Navajo Nation Tribe
Well file
Division of Oil, Gas and Mining, Utah
AFMSS/cmarquez/Navajo O & G Co

Division of Oil, Gas and Mining
OPERATOR CHANGE WORKSHEET (for state use only)

ROUTING
 CDW

X - Change of Operator (Well Sold)

Operator Name Change/Merger

The operator of the well(s) listed below has changed, effective:

8/1/2010

| | |
|---|--|
| FROM: (Old Operator): N2550- Navajo Oil & Gas Cp. 1625 Broadway, Suite 1100 Denver, CO 80202 Phone: 1 (303) 534-8300 | TO: (New Operator): N3930- NNOGC Exploration & Production, LLC 1625 Broadway, Suite 1000 Denver, CO 80202 Phone: 1 (303)534-8300 |
|---|--|

CA No. Unit: N/A

| WELL NAME | SEC TWN RNG | API NO | ENTITY NO | LEASE TYPE | WELL TYPE | WELL STATUS |
|-------------------|----------------|--------|--------------|---------------|--------------|----------------|
| See Attached List | | | | | | |

OPERATOR CHANGES DOCUMENTATION

Enter date after each listed item is completed

- (R649-8-10) Sundry or legal documentation was received from the **FORMER** operator on: 9/19/2012
- (R649-8-10) Sundry or legal documentation was received from the **NEW** operator on: 9/19/2012
- The new company was checked on the **Department of Commerce, Division of Corporations Database** on: 12/31/2012
- Is the new operator registered in the State of Utah: _____ Business Number: 8399948-0165
- (R649-9-2)Waste Management Plan has been received on: Not Yet
- Inspections of LA PA state/fee well sites complete on: 12/31/2102
- Reports current for Production/Disposition & Sundries on: 12/31/2012
- Federal and Indian Lease Wells:** The BLM and or the BIA has approved the merger, name change, or operator change for all wells listed on Federal or Indian leases on: BLM BIA 8/1/2012
- Federal and Indian Units:**
The BLM or BIA has approved the successor of unit operator for wells listed on: 8/1/2010
- Federal and Indian Communization Agreements ("CA"):**
The BLM or BIA has approved the operator for all wells listed within a CA on: N/A
- Underground Injection Control ("UIC")** Division has approved UIC Form 5 Transfer of Authority to **Inject**, for the enhanced/secondary recovery unit/project for the water disposal well(s) listed on: N/A

DATA ENTRY:

- Changes entered in the **Oil and Gas Database** on: 12/31/2102
- Changes have been entered on the **Monthly Operator Change Spread Sheet** on: 12/31/2012
- Bond information entered in RBDMS on: 12/31/2012
- Fee/State wells attached to bond in RBDMS on: 12/31/2012
- Injection Projects to new operator in RBDMS on: 12/31/2012
- Receipt of Acceptance of Drilling Procedures for APD/New on: 12/31/2012

BOND VERIFICATION:

- Federal well(s) covered by Bond Number: N/A
- Indian well(s) covered by Bond Number: RLB0006712
- (R649-3-1) The **NEW** operator of any state/fee well(s) listed covered by Bond Number N/A
- The **FORMER** operator has requested a release of liability from their bond on: N/A

LEASE INTEREST OWNER NOTIFICATION:

- (R649-2-10) The **NEW** operator of the fee wells has been contacted and informed by a letter from the Division of their responsibility to notify all interest owners of this change on: N/A

COMMENTS:

Navajo Nations Oil Gas Co. (N2550) to NNOGC Exploration Production, LLC (N3930)
Effective 8/1/2012

| Well Name | Sec | TWP | RNG | API | Entity | Lease | Well Type | Well Status |
|---------------------------|-----|------|------|------------|--------|--------|-----------|-------------|
| TOHONADLA 26-OSCAR | 26 | 410S | 210E | 4303750022 | | Indian | OW | APD |
| TOHONADLA 35-F | 35 | 410S | 210E | 4303750024 | | Indian | OW | APD |
| TOHONADLA 2-G | 02 | 420S | 210E | 4303750027 | | Indian | OW | APD |
| TOHONADLA 2-B | 02 | 420S | 210E | 4303750028 | | Indian | OW | APD |
| TOHONADLA 1-C | 01 | 420S | 210E | 4303750029 | | Indian | OW | APD |
| TOHONADLA 2-BRAVO | 02 | 420S | 210E | 4303750030 | | Indian | OW | APD |
| TOHONADLA 1-F | 01 | 420S | 210E | 4303750031 | | Indian | OW | APD |
| TOHONADLA 2-H | 02 | 420S | 210E | 4303750032 | | Indian | OW | APD |
| TOHONADLA 1-Delta | 01 | 420S | 210E | 4303750033 | | Indian | OW | APD |
| TOHONADLA 35-INDIGO | 35 | 410S | 210E | 4303750034 | | Indian | OW | APD |
| TOHONADLA 35-J | 35 | 410S | 210E | 4303750035 | | Indian | OW | APD |
| UTE CANYON 25G-O | 25 | 410S | 210E | 4303731913 | 18823 | Indian | OW | DRL |
| TOHONADLA 35-B | 35 | 410S | 210E | 4303750023 | 18824 | Indian | OW | DRL |
| UTE CYN 23-INDIGO | 23 | 410S | 210E | 4303731880 | | Indian | OW | LA |
| TOHONADLA 35-P | 35 | 410S | 210E | 4303731886 | | Indian | OW | LA |
| TOHONADLA 1-E | 01 | 420S | 210E | 4303731887 | | Indian | OW | LA |
| TOHONADLA 1-D | 01 | 420S | 210E | 4303731888 | | Indian | OW | LA |
| TOHONADLA 26-O | 26 | 410S | 210E | 4303731896 | | Indian | OW | LA |
| UTE CYN 23-INDIGO | 23 | 410S | 210E | 4303731911 | | Indian | OW | LA |
| NAVAJO TR 23-1 | 02 | 420S | 210E | 4303715540 | 6230 | Indian | OW | P |
| DESERT CREEK 2 | 35 | 410S | 230E | 4303715868 | 6270 | Indian | OW | P |
| TOHONADLA 1 | 35 | 410S | 210E | 4303715872 | 11202 | Indian | OW | P |
| TOHONADLA 23-35 | 35 | 410S | 210E | 4303715874 | 11202 | Indian | OW | P |
| NAVAJO TRIBAL 23-13 | 13 | 400S | 240E | 4303730971 | 9420 | Indian | OW | P |
| NAVAJO TRIBAL 14-10 | 10 | 400S | 240E | 4303730977 | 10130 | Indian | OW | P |
| SAHGZIE 1 | 05 | 420S | 240E | 4303731472 | 11032 | Indian | OW | P |
| ANASAZI 1 | 05 | 420S | 240E | 4303731478 | 11042 | Indian | OW | P |
| CAJON MESA 8D-1 | 08 | 400S | 250E | 4303731497 | 11074 | Indian | OW | P |
| MONUMENT 8N-2 | 08 | 400S | 250E | 4303731509 | 11087 | Indian | OW | P |
| RUNWAY 10G-1 | 10 | 400S | 250E | 4303731515 | 11105 | Indian | OW | P |
| LONE MOUNTAIN CREEK 12F-1 | 12 | 420S | 240E | 4303731545 | 11148 | Indian | OW | P |
| RUNWAY 10E-2 | 10 | 400S | 250E | 4303731550 | 11128 | Indian | GW | P |
| BLUE HOGAN 1J-1 | 01 | 420S | 230E | 4303731562 | 11161 | Indian | OW | P |
| TOHONADLA 2-35 | 35 | 410S | 210E | 4303731568 | 11202 | Indian | OW | P |
| ANASAZI 5L-3 | 05 | 420S | 240E | 4303731572 | 11207 | Indian | OW | P |
| BROWN HOGAN 1A-2 | 01 | 420S | 230E | 4303731573 | 11215 | Indian | OW | P |
| MULE 31K (N) | 31 | 410S | 240E | 4303731617 | 11326 | Indian | OW | P |
| BURRO 31I | 31 | 410S | 240E | 4303731708 | 11496 | Indian | OW | P |
| MULE 31M | 31 | 410S | 240E | 4303731710 | 11498 | Indian | OW | P |
| ANASAZI 6H-1 | 06 | 420S | 240E | 4303731744 | 11773 | Indian | OW | P |
| TOHONADLA 35-P | 35 | 410S | 210E | 4303750005 | 11202 | Indian | OW | P |
| TOHONADLA 1-E | 01 | 420S | 210E | 4303750006 | 6230 | Indian | OW | P |
| NAVAJO TRIBAL 41-2 | 02 | 420S | 240E | 4303731041 | 9437 | Indian | OW | PA |
| MONUMENT 17E-2 | 17 | 400S | 250E | 4303731547 | 11139 | Indian | OW | S |
| RUNWAY 10C-5A | 10 | 400S | 250E | 4303731597 | 11152 | Indian | OW | S |
| UTE CYN 23-P | 23 | 410S | 210E | 4303731881 | 17282 | Indian | OW | S |

NAVAJO NATION OIL & GAS COMPANY

EXPLORATION & PRODUCTION LLC

1675 Broadway, Suite 1100 • Denver, Colorado • 80202

Telephone (303) 534-8300 • FAX (303) 534-1405



September 18, 2012

Utah Division of Oil, Gas and Mining
c/o Rachel Medina
1594 West North Temple, Suite 1210
Salt Lake City, Utah 84114-5801

RECEIVED
SEP 19 2012
DIV. OF OIL, GAS & MINING

RE: Change of Operator Name and Address for Wells

Dear Rachel,

I am including with this letter several original FORM 9 to change the operator on wells. This probably will be done in two steps.

1. (16 wells) Change of Operator from RIM Southwest Corporation to Navajo Nation Oil & Gas Co.
2. (Same 16 wells) Change of Operator from Navajo Nation Oil & Gas Co. to NNOGC Exploration and Production, LLC.

We have recently registered our LLC with the State of Utah. The Utah Entity Number for NNOGC Exploration and Production, LLC is: 8399948-0165. Also, a new DOGM No. has been applied for for the LLC.

The name and address change is as follows:

OLD: Navajo Nation Oil & Gas Co.
1675 Broadway, Suite 1100
Denver, CO 80202
(DOGM Operator No. N2550)

NEW: NNOGC Exploration and Production, LLC
1625 Broadway, Suite 1000
Denver, CO 80202

Should you require any additional information please contact me at 303-534-8300.

Sincerely,

A handwritten signature in black ink, appearing to read "Katie Hynes". The signature is fluid and cursive.

Katie Hynes
Associate Landman

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

FORM 9

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill new wells, significantly deepen existing wells below current bottom-hole depth, reenter plugged wells, or to drill horizontal laterals. Use APPLICATION FOR PERMIT TO DRILL form for such proposals.

| | | |
|---|--|--|
| | | 5. LEASE DESIGNATION AND SERIAL NUMBER: See Attached |
| | | 6. IF INDIAN, ALLOTTEE OR TRIBE NAME: Navajo Nation |
| | | 7. UNIT or CA AGREEMENT NAME: |
| 1. TYPE OF WELL OIL WELL <input type="checkbox"/> GAS WELL <input type="checkbox"/> OTHER _____ | | 8. WELL NAME and NUMBER: See Attached |
| 2. NAME OF OPERATOR: Navajo Nation Oil & Gas Co. | | 9. API NUMBER: Various |
| 3. ADDRESS OF OPERATOR: 1675 Broadway, Suite 1100 CITY Denver STATE CO ZIP 80202 | | 10. FIELD AND POOL, OR WILDCAT: Various |
| PHONE NUMBER: (303) 534-8300 | | |
| 4. LOCATION OF WELL FOOTAGES AT SURFACE: See Attached List | | COUNTY: San Juan |
| QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN: | | STATE: UTAH |

| 11. CHECK APPROPRIATE BOXES TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA | | | |
|---|---|---|--|
| TYPE OF SUBMISSION | TYPE OF ACTION | | |
| <input type="checkbox"/> NOTICE OF INTENT (Submit in Duplicate) Approximate date work will start: _____ | <input type="checkbox"/> ACIDIZE | <input type="checkbox"/> DEEPEN | <input type="checkbox"/> REPERFORATE CURRENT FORMATION |
| | <input type="checkbox"/> ALTER CASING | <input type="checkbox"/> FRACTURE TREAT | <input type="checkbox"/> SIDETRACK TO REPAIR WELL |
| | <input type="checkbox"/> CASING REPAIR | <input type="checkbox"/> NEW CONSTRUCTION | <input type="checkbox"/> TEMPORARILY ABANDON |
| | <input type="checkbox"/> CHANGE TO PREVIOUS PLANS | <input checked="" type="checkbox"/> OPERATOR CHANGE | <input type="checkbox"/> TUBING REPAIR |
| | <input type="checkbox"/> CHANGE TUBING | <input type="checkbox"/> PLUG AND ABANDON | <input type="checkbox"/> VENT OR FLARE |
| <input checked="" type="checkbox"/> SUBSEQUENT REPORT (Submit Original Form Only) Date of work completion: _____ | <input type="checkbox"/> CHANGE WELL NAME | <input type="checkbox"/> PLUG BACK | <input type="checkbox"/> WATER DISPOSAL |
| | <input type="checkbox"/> CHANGE WELL STATUS | <input type="checkbox"/> PRODUCTION (START/RESUME) | <input type="checkbox"/> WATER SHUT-OFF |
| | <input type="checkbox"/> COMMINGLE PRODUCING FORMATIONS | <input type="checkbox"/> RECLAMATION OF WELL SITE | <input type="checkbox"/> OTHER: _____ |
| | <input type="checkbox"/> CONVERT WELL TYPE | <input type="checkbox"/> RECOMPLETE - DIFFERENT FORMATION | |

12. DESCRIBE PROPOSED OR COMPLETED OPERATIONS. Clearly show all pertinent details including dates, depths, volumes, etc.

The Navajo Nation Oil and Gas Co. has registered its new entity with the State of Utah. The Operator Name and Address change applies to all wells currently operated by DOGM No. N2550 (see attachment).

The Utah Entity Number for the LLC is: 8399948-0165.

The new Entity is:

NNOGC Exploration and Production, LLC
1625 Broadway, Suite 1000
Denver, CO 80202

NEW DOGM No. : 3930

Bond No. RLB0006712

Effective: July 10, 2010

NAME (PLEASE PRINT) Lauren Germinario TITLE Land Manager
SIGNATURE *Lauren Germinario* DATE 9/14/12
APPROVED

(This space for State use only)

DEC 3 1 2012

RECEIVED

DIV. OIL GAS & MINING
BY: Rachel Medina

SEP 17 2012

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

FORM 9

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill new wells, significantly deepen existing wells below current bottom-hole depth, reenter plugged wells, or to drill horizontal laterals. Use APPLICATION FOR PERMIT TO DRILL form for such proposals.

| | | |
|--|--|--|
| 1. TYPE OF WELL OIL WELL <input checked="" type="checkbox"/> GAS WELL <input type="checkbox"/> OTHER _____ | | 5. LEASE DESIGNATION AND SERIAL NUMBER: See Attached |
| 2. NAME OF OPERATOR: Navajo Nation Oil & Gas Co | | 6. IF INDIAN, ALLOTTEE OR TRIBE NAME: Navajo Nation |
| 3. ADDRESS OF OPERATOR: P.O. Box 5069 CITY Window Rock STATE AZ ZIP 86515 | | 7. UNIT or CA AGREEMENT NAME: |
| 4. LOCATION OF WELL FOOTAGES AT SURFACE: _____ | | 8. WELL NAME and NUMBER: See Attached |
| QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN: _____ | | 9. API NUMBER: Various |
| COUNTY: San Juan | | 10. FIELD AND POOL, OR WILDCAT: Various |
| STATE: UTAH | | |

11. CHECK APPROPRIATE BOXES TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

| TYPE OF SUBMISSION | TYPE OF ACTION | | |
|--|---|---|--|
| <input type="checkbox"/> NOTICE OF INTENT (Submit in Duplicate) Approximate date work will start: _____ | <input type="checkbox"/> ACIDIZE | <input type="checkbox"/> DEEPEN | <input type="checkbox"/> REPERFORATE CURRENT FORMATION |
| | <input type="checkbox"/> ALTER CASING | <input type="checkbox"/> FRACTURE TREAT | <input type="checkbox"/> SIDETRACK TO REPAIR WELL |
| <input checked="" type="checkbox"/> SUBSEQUENT REPORT (Submit Original Form Only) Date of work completion: _____ | <input type="checkbox"/> CASING REPAIR | <input type="checkbox"/> NEW CONSTRUCTION | <input type="checkbox"/> TEMPORARILY ABANDON |
| | <input type="checkbox"/> CHANGE TO PREVIOUS PLANS | <input checked="" type="checkbox"/> OPERATOR CHANGE | <input type="checkbox"/> TUBING REPAIR |
| | <input type="checkbox"/> CHANGE TUBING | <input type="checkbox"/> PLUG AND ABANDON | <input type="checkbox"/> VENT OR FLARE |
| | <input type="checkbox"/> CHANGE WELL NAME | <input type="checkbox"/> PLUG BACK | <input type="checkbox"/> WATER DISPOSAL |
| | <input type="checkbox"/> CHANGE WELL STATUS | <input type="checkbox"/> PRODUCTION (START/RESUME) | <input type="checkbox"/> WATER SHUT-OFF |
| | <input type="checkbox"/> COMMINGLE PRODUCING FORMATIONS | <input type="checkbox"/> RECLAMATION OF WELL SITE | <input type="checkbox"/> OTHER: _____ |
| | <input type="checkbox"/> CONVERT WELL TYPE | <input type="checkbox"/> RECOMPLETE - DIFFERENT FORMATION | |

12. DESCRIBE PROPOSED OR COMPLETED OPERATIONS. Clearly show all pertinent details including dates, depths, volumes, etc.

The Navajo Nation Oil & Gas Co. has registered its new entity with the State of Utah. The name and address change applies to all the wells that have recently changed from RIM Southwest Corporation to Navajo Nation Oil & Gas Co. (DOGM No. N2550)

The Utah Entity Number for the LLC is: 8399948-0165

Note: A new DOGM No. has been applied for NNOGC Exploration and Production, LLC

Please see the attached list of wells that will now be operated by:

NNOGC Exploration and Production, LLC
1625 Broadway, Suite 1000
Denver, CO 80202

All of these work wells are covered by Bond No. RLB0006712

Effective: Aug 1, 2012

| | |
|--|---------------------------|
| NAME (PLEASE PRINT) <u>Lauren Germinario</u> | TITLE <u>Land Manager</u> |
| SIGNATURE <u><i>Lauren Germinario</i></u> | DATE <u>9/18/2012</u> |

This space for State use only) **APPROVED**

DEC 31 2012

DIV. OIL GAS & MINING

BY: Rachel Medina (See Instructions on Reverse Side)

RECEIVED
SEP 19 2012
DIV. OF OIL, GAS & MINING