

THE NAVAJO NATION
LEGISLATIVE BRANCH
INTERNET PUBLIC REVIEW PUBLICATION



LEGISLATION NO: _0074-21__

SPONSOR: Otto Tso

TITLE: An Action Relating to Resources and Development Committee, Naabik'iyáti' Committee and the Navajo Nation Council; Approving Amendment Number One to the Desert Creek Operating Agreement Between the Navajo Nation and Navajo Nation Oil and Gas Company

Date posted: April 14, 2021 at 5:32PM

Digital comments may be e-mailed to comments@navajo-nsn.gov

Written comments may be mailed to:

Executive Director
Office of Legislative Services
P.O. Box 3390
Window Rock, AZ 86515
(928) 871-7586

Comments may be made in the form of chapter resolutions, letters, position papers, etc. Please include your name, position title, address for written comments; a valid e-mail address is required. Anonymous comments will not be included in the Legislation packet.

Please note: This digital copy is being provided for the benefit of the Navajo Nation chapters and public use. Any political use is prohibited. All written comments received become the property of the Navajo Nation and will be forwarded to the assigned Navajo Nation Council standing committee(s) and/or the Navajo Nation Council for review. Any tampering with public records are punishable by Navajo Nation law pursuant to 17 N.N.C. §374 *et. seq.*

LEGISLATIVE SUMMARY SHEET
Tracking No. 0074-21

DATE: April 12, 2021

TITLE OF RESOLUTION: PROPOSED NAVAJO NATION COUNCIL RESOLUTION; AN ACTION RELATING TO RESOURCES AND DEVELOPMENT COMMITTEE, NAABIK'ÍYÁTI' COMMITTEE AND THE NAVAJO NATION COUNCIL; APPROVING AMENDMENT NUMBER ONE TO THE DESERT CREEK OPERATING AGREEMENT BETWEEN THE NAVAJO NATION AND NAVAJO NATION OIL AND GAS COMPANY

PURPOSE: The purpose of this legislation is to approve Amendment No. 1 to the Desert Creek Operating Agreement between the Navajo Nation and Navajo Nation Oil And Gas Company

This written summary does not address recommended amendments as may be provided by the standing committees. The Office of Legislative Counsel requests each Council Delegate to review each proposed resolution in detail.

5-DAY BILL HOLD PERIOD:

VSreedhase

Website Posting Time/Date:

Posting End Date:

April 19, 2021

Eligible for Action:

April 20, 2021

Resources & Development Committee

Thence

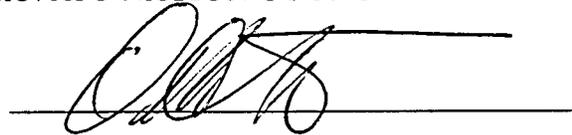
Naabik'iyáti' Committee

Thence

Navajo Nation Council

PROPOSED NAVAJO NATION COUNCIL RESOLUTION

24th NAVAJO NATION COUNCIL - Third Year, 2021



Prime Sponsor

TRACKING NO. 0074-21

AN ACTION

RELATING TO RESOURCES AND DEVELOPMENT COMMITTEE,
NAABIK'ÍYÁTI' COMMITTEE AND THE NAVAJO NATION COUNCIL;
APPROVING AMENDMENT NUMBER ONE TO THE DESERT CREEK
OPERATING AGREEMENT BETWEEN THE NAVAJO NATION AND NAVAJO
NATION OIL AND GAS COMPANY

BE IT ENACTED:

SECTION ONE. AUTHORITY

- A. The Navajo Nation Council is the governing body of the Navajo Nation. 2 N.N.C. §102 (A).
- B. The Naabik'iyáti' Committee is assigned proposed resolutions that require final action by the Navajo Nation Council. 2 N.N.C. § 164(A)(9).
- C. The Resources and Development Committee shall make recommendations to the Navajo Nation Council for final approval for mineral agreements. 2 N.N.C. § 501(B)(4)(a).

SECTION TWO. FINDINGS

- A. The Navajo Nation is blessed with abundant energy resources.
- B. Historically, these resources were leased to non-Navajo entities, and the Navajo Nation benefited appropriately from the development of those resources but hoped

1 to include Navajo entities in also benefitting from the development of those
2 resources.

3 C. In 1998, the Navajo Nation Council addressed this crucial matter, by ratifying
4 unanimously the federal Charter of Incorporation for the Navajo Nation Oil and Gas
5 Company ("NNOGC"), a wholly owned Navajo Nation corporation organized
6 under section 17 of the Indian Reorganization Act, as amended, 25 U.S.C. § 5124
7 (formerly 25 U.S.C. § 477), see Resolution No. CF-22-98, and subsequently
8 amended such Charter to ensure experienced corporate leadership, see Resolution
9 No. CO-40-15.

10 D. One of NNOGC's principle objectives assigned by the Navajo Nation Council has
11 been to regain for the Navajo Nation mineral lands that had been leased to others,
12 so that those resources could be developed, the life of the resource extended, and
13 the Navajo Nation take part in the risks and rewards of being a part of the energy
14 business. NNOGC has done so, acquiring with partners lands formerly leased to
15 Chevron Texaco, Exxon Mobil and other companies; investing over \$390 million of
16 NNOGC's own proceeds in the acquisition and development of the Aneth and other
17 oil fields within the Navajo Nation; reversing the decline in oil and gas production
18 on the Navajo Reservation through those investments; and managing and growing a
19 successful business that the Nation owns.

20 E. NNOGC acquired the Desert Creek Operating Agreement (OA) No. NO-G-1302-
21 1775, attached hereto as **Exhibit B**, on January 24, 2013 ("the effective date"), the
22 operating agreement provisions of which provide for a primary development term
23 which expires ten (10) years after the effective date and a secondary term which
24 expires twenty-two (22) years after the effective date.

25 F. To further develop the Desert Creek lease, a seismic survey was concluded in
26 September of 2019 and further processing, evaluation and interpretation has been
27 ongoing. NNOGC and its partner are currently drafting four Applications for
28 Permits to Drill ("APDs") for submission to the appropriate Navajo Nation and
29 federal agencies.

30

1 G. Until now, NNOGC has not been able to conduct certain exploration and
2 development activities on the Desert Creek lease due to reasons beyond the control
3 of current management. NNOGC's ability to hedge was suspended in June 2014
4 and the price of crude oil then declined steeply in November 2014. NNOGC has
5 not been able to recover financially from the banks' actions until June 14, 2018
6 when it entered into a new loan agreement with Guggenheim Partners that replaced
7 the loan with its former bank consortium headed by Wells Fargo Bank.

8 H. There are marketable reserves of oil and gas within the area covered by the Desert
9 Creek Operating Agreement and it would be beneficial to the Navajo Nation and
10 NNOGC if NNOGC could perform the necessary seismic studies and produce these
11 reserves.

12 I. It is the desire of NNOGC and in the best interest of NNOGC and the Navajo
13 Nation to develop the Desert Creek lease. An extension of the primary and
14 secondary terms of the Operating Agreement, as set forth in Amendment No. 1 to
15 the Operating Agreement, attached hereto as **Exhibit A**, is necessary to achieve this
16 objective.

17 J. The Executive Official Review Document No. 015074 is attached as **Exhibit C**.

18
19 **SECTION THREE. APPROVAL AND AUTHORIZATION**

20 A. The Navajo Nation hereby approves the Amendment No. 1, **Exhibit A**, of the
21 Operating Agreement between the Navajo Nation and Navajo Nation Oil & Gas
22 Company for the Desert Creek Area, Contract No. NO-G-1301-1775.

23 B. The Navajo Nation hereby authorizes the President of the Navajo Nation to execute any
24 and all documents necessary to affect the intent and purpose of this resolution.
25
26
27
28
29
30