TITLE: 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

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DATE: April 12, 2021

TITLE OF RESOLUTION: PROPOSED NAVAJO NATION COUNCIL RESOLUTION; 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

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.
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'íyáti' 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
to include Navajo entities in also benefitting from the development of those resources.


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

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

F. To further develop the Desert Creek lease, a seismic survey was concluded in September of 2019 and further processing, evaluation and interpretation has been ongoing. NNOGC and its partner are currently drafting four Applications for Permits to Drill ("APDs") for submission to the appropriate Navajo Nation and federal agencies.
G. Until now, NNOGC has not been able to conduct certain exploration and development activities on the Desert Creek lease due to reasons beyond the control of current management. NNOGC’s ability to hedge was suspended in June 2014 and the price of crude oil then declined steeply in November 2014. NNOGC has not been able to recover financially from the banks’ actions until June 14, 2018 when it entered into a new loan agreement with Guggenheim Partners that replaced the loan with its former bank consortium headed by Wells Fargo Bank.

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

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

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

SECTION THREE. APPROVAL AND AUTHORIZATION

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

B. The Navajo Nation hereby authorizes the President of the Navajo Nation to execute any and all documents necessary to affect the intent and purpose of this resolution.