

Osage Minerals Council Meeting Oct. 17, 2012

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The Osage Minerals Council meeting held on October 17 seemed to go very well. Oil production was back up to near normal now, but there was still no reason given for the unexpected drop we suffered last month. The HPP today was \$88.51 p/bbl, and was in a slight upward trend.

Reports were given by ONG accountants Leslie Young and Julia Hutson on the current status of the bank accounts. Ms. Young said that nearly \$100,000 of the C395 drawdown account was unused in FY 2012.

Brief reports by BIA Supt. Melissa Currey and Supervisory Petroleum Engineer Charles Hurlbert were given and they responded to several questions by the Council and by Shareholders.

Following executive session, Chairman Crum announced the following:

1. A 5 year agreement was reached with Candy Creek Crusher company, setting the price of limestone at \$0.51 p/ton, and including a \$0.01 per/ton raise each year throughout the agreement. 8 yes-0 no
2. CEP/PERL merger, no details available 8 yes-0 no
3. Chaparral Energy—No details available
4. Devon Energy—Devon paid an astounding \$156.00 per acre for 8 leases located within their recently acquired holdings in the South Bend Concession area. The vote was 8 yes - 0 no to accept this deal. These leases were formerly held by Sand Ridge Exploration, and were recently terminated by the MC/BIA for Sand Ridge's failure to keep their commitment to drill as stipulated in their lease agreements. The time limits for commitments to drill is about to expire on several more leases and concessions. Our Minerals Council will need to be monitoring these expiration dates closely. With the advent of horizontal drilling, these properties have become very valuable.

The September, 2012 minutes were approved, subject to a couple of minor corrections.

Councilman Core made a motion for a resolution to approve Easley Auction Service for all future lease sales, subject to review at any time. This action would require the MC to pay for the auction services instead of the BIA but would eliminate the need to require bids to be taken for auction services for each sale. Due to a 4 yes – 4 no tie vote, the motion failed.

Councilman Core then made a motion to approve a 2% pay bonus for the MC staff. After discussion, the motion was amended to include 1 exception. The motion was passed by a 5 yes – 3 no vote.

Councilwoman Boone again raised the issue of spending too much money on office and kitchenette expenses. No action was taken.

Councilman Abbott made a motion to accept the S510 account budget as presented by the committee. The motion was passed by a 8 yes—0 no vote.

Chairman Crum reminded everyone of the 2nd public meeting of the Negotiated Rulemaking Committee to be held at the Osage Casino on 36th St. North next Monday and Tuesday.

This meeting was adjourned about 1:30 PM.

Ray McClain, Osage Shareholder