

Osage Minerals Council Meeting July 17, 2013

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7/19/2013

Chairman Yates opened the meeting today with a prayer from Councilwoman Cynthia Boone. Tribal accountants Leslie Young and Julia Roe gave their reports. Ms. Young said that \$750,000 had been drawn from the drawdown account, and that no further drawdowns were anticipated for this fiscal year.

OMC auditor Jim Swan told us that May's average daily gross production was 14,406 bbl, just short of the "recent years" all time high by 109 barrels. The 20% royalty oil made up 16.28% of the gross production in May. He also reminded us that the late payment by one of the purchasers for April was collected in June, and will reflect in the June report that he will make next month. The amount collected was \$4,217,233.50 in late payment overdue, plus \$63,258.50 in late charges.

BIA Supervisory Petroleum Engineer Charles Hurlburt made a brief statement regarding the Operations Reports.

BIA Acting Superintendent Rhonda Loftin was not here today and was represented by Deputy Acting Supt. Carla Norman. She had nothing to report.

The following 5 entities were scheduled for executive session today:

Chaparral Energy- Jon Godsy
OST- Brian Ross
Halcon Energy- Jamie Sicking
Lawco Exploration- Randy Lawson
Stewart Stone- Larry Stewart

Following executive session, the Council voted to:

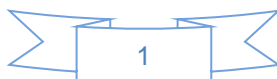
Approve 10 leases for Chaparral at \$12,000 each for 2 years.

Approve a "house-keeping" type resolution for Brian Ross, necessary because the gross production tax had become over \$1,000,000 per month.

Approve an extension for Lawco for drilling 1, and possibly 2 Hz wells on their concession.

Approve a resolution to lease to Mr. Stewart, the right to set up a limestone gravel quarry, subject to lease availability. This included a \$2500 lease bonus.

A motion was passed to table the approval of minutes of the last 3 meetings until next month.



A motion to advance Mr. Torrix \$5,000 to get the wheels turning on the November Osage Oil and Gas Summit was passed 7-yes 1-no. Councilman Abbott dissented, saying that they should advance \$7,500 for this purpose.

Cynthia Boone motioned to forward a letter to BIA Regional Director Robert Impson requesting that the Minerals Council be consulted for input concerning who would be selected to fill the Osage Agency Superintendent position. The motion passed 7-yes, 1-no, with Abbott dissenting.

A motion by Councilwoman Cynthia Boone to add more rules to the policies governing time off and leave of absence by Council employees was passed.

A motion by Ms. Boone for a resolution to allow more liberal use of telephone polls by allowing any Councilperson to initiate a telephone poll for any reason, was passed 5-yes, 3-no, with Crum, Yates, and Abbott dissenting.

Councilman Melvin Core again brought up the issue of changing the value of the ballots voted by the Shareholders to one person, one vote. Discussion was held, and the matter was tabled until the next regular meeting.

This meeting adjourned at about 2:00 PM.

IN MY OPINION:

I have not been very happy with the way executive session has been used in the past, but, since those not invited have no way of knowing for sure what goes on in each executive session, I haven't had a lot to say about it. I would be the first to agree that some business negotiations, by their very nature, must be done in private until agreement is reached, but in many cases, this is totally un-necessary. I have asked several Producers why they requested to be put in executive session for their issues to be discussed, and they told me that they did not request this. One didn't even know what executive session was. I asked one of the Producers today, why he had requested to be in executive session, and he told me he had not made that request. About that time, the doors opened and the Council called for Mr. Sicking with Halcon Energy to come in. As he went in the door, each and every Oil Producer and every representative thereof, including at least one employee of the Osage Producers Assoc., probably 15 or more of them in all, got up and followed him into the room. And the doors closed. I looked around, and I saw 7 or 8 Shareholders sitting there, looking at each other and wondering just what the hell was going on. Each of us were interested enough to be there, some getting up extra early, cancelling other plans, and driving many miles to get there to try to support their MC,

and we are told we must wait outside. I later found out that Mr. Sicking, who is an attorney for Halcon and was no doubt there with the approval of Halcon, was actually there representing the Osage Producers Association, not Halcon.

When they finally came out, I asked Mr. Sicking why the executive session. He said that some of the members OPA had wanted it that way. I later found out that they had been there to express their concern about a rumored Environmental Assessment by the Federal EPA being required. That was the deep, dark secret.

This was a classic example of abuse of the power of executive privilege for no good reason, and this must stop. We Shareholders have every right to monitor the way our executives handle our business. It should be with very limited participation, but we need to see exactly how each one handles themselves in negotiations. How else are we supposed to know who should be making the decisions for this \$100,000,000 per year business. And maybe who shouldn't be!

Most of the other actions taken today were rather mundane, house-keeping chores, but a couple of those by Cynthia Boone caught my attention.

One was a motion to add even more rules and regulations to the policies concerning leave and time off for the staff. This was passed.

The one that really caught my eye, was her "Phone It In" motion for a Resolution to allow any Council member to initiate a telephone poll for any reason what-so-ever, to do any potential Council business that may suddenly blow through someone's mind at any time, day or night, holiday, or whatever. This is totally ridiculous. Phone polls should only be used when urgency doesn't allow a matter to wait any longer. All issues should be given each Council member's full, undivided attention. Decisions on running this business should be carefully thought out and should not be made in such a "quick draw," cavalier manner.

I have included this Resolution "in part" below:

"3. The Osage Minerals Council was elected to carry out the business of the Osage Mineral Estate. All eight of the elected Osage Mineral Council possesses equal authority. At the present time there are only two meetings a month. From time to time, issues may occur that an elected official may feel is pertinent. Circumstances may determine that a subject need not wait to be discussed at the next meeting;

THEREFORE, BE IT RESOLVED,

1. The Osage Minerals Council policies be amended by adding this sentence at the end of C: Any member of the Osage Minerals Council can initiate a telephone poll on any issue related to Osage Minerals Council business."

End Excerpt.

Only the Chairman, or the designated vice Chairman, should have the authority to declare an emergency vote whereby a telephone poll is necessary. This is simply setting up some more “flying by the seat of their pants” methods of running our business. This too, must stop.

Our Council must be afforded all the time they may reasonably need to consider the issues before voting away our money. As decrepit and out-of-date as the Council’s Policy and Procedures are, they have always, and still do, properly address telephone polls. At least until today. They clearly stated that phone polls should be used only in an emergency, when an issue must be resolved immediately. It needs to stay that way. If this motion had been presented on last Friday, and then voted on today, it would have given the Council time to think about what they were doing, and I believe the motion would have failed. This was a perfect example of being rushed into making a decision. But it’s too late now,---unless 2 of the Council want to admit they made a mistake. Fat Chance. Remember, 4 votes can fail any motion, but it takes 5 votes to correct a mistake. This well thought out and skillfully executed maneuver puts the Council, and thus the Shareholders, squarely behind the 8-ball, and Cynthia Boone can spot the que ball anywhere she wants. I would bet that “ole Robert” of Robert’s Rules of Order is clutching his “Rules of Order” book tightly to his chest, while spinning dervishly in his grave right now.

Anybody getting uncomfortable yet?

On a happier note, oil prices are currently at the highest levels we have seen them since the 2nd quarter of 2012. Our Highest Posted Price went to \$100 p/bbl on July 10th for the first time this year and today was at **\$102.75**. We started the year on January 2, 2013 at \$88.25 p/bbl. We must remember that this is a very volatile market, but nothing in any of the short-term forecasts currently indicate any weakening. The prices we receive in June, July, and August will be on the December payment. Let’s hope they stay up there.

Speaking of payment, unless something unexpected happens, it looks to me like the September, 2013 payment may be slightly higher than June, but probably not much. Oil prices averaged about the same as the previous quarter, but daily gross production in the Osage has been slowly, but steadily rising. For the current reporting month, May 2013, it was 14,406 BPD. Also, there was a \$300,000 bonus paid last week for 13 leases taken down in a concession and another for \$120,000 negotiated today. These bonuses will bump up the payment by nearly \$190 per full headright. In spite of everything, we are actually doing pretty good.

Ray McClain, Osage Shareholder