

Osage Minerals Council Meeting August 16, 2013

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Chairman Andrew Yates opened the meeting at 10:00 AM. Councilman Galen Crum offered the prayer.

BIA Supervisory Petroleum Engineer Charles Hurlburt spoke briefly about more staff shortages, due to an employee retiring.

Acting Superintendent Rhonda Loftin added a little to Hurlburt's report. A Shareholder then asked about how far behind the probate department was. Ms. Loftin explained that probates were backlogged when she started here, and that there were only 2 people in that department, and that due to "sequester" and a hiring freeze, they are still backlogged, but she didn't say how deep the stack was.

There was no Executive Session today, but there was plenty of new business.

Shareholder Florence Bigheart Tranum introduced a gentleman who owned several small oil refineries, and was headquartered in Louisiana. He is planning to build one in Osage County, and seemed to be here just to be sure that the Minerals Council had no objections. He was asking for no money or other commitments. Councilmen Yates, Abbott, and Crum had many questions for him, and there were no objections from any of the Council. No action was required.

Councilman Crum gave a report on a Fish and Wildlife Conference he had planned to attend. The Council's interest in this was the part that included ecological concerns and water conservation. Several others wished to go, so Crum said he would withdraw, because there was no need for everyone to go.

Chairman Yates said that he had been advised that a storage locker containing documents belonging to the Minerals Council had been auctioned off last week in Pawhuska for \$170.00. An ONG employee was at the sale and when the locker was opened and he saw that the locker contained OMC materials, he had notified Councilwoman Cynthia Boone. The ONG employee told Chairman Yates that Cynthia Boone arrived at the sale and made arrangements with the purchaser of the locker contents to buy the contents from him for \$340.00.

Chairman Yates asked Councilwoman Boone if she would give the Council the details of the transaction and tell them what her intentions were for the OMC property. Ms. Boone refused to discuss the matter, saying several times that this was a private transaction by her as a private individual, and that she was not required explain anything to the Council and further stated, several times, that the only one who could tell her how to spend her money was her husband.

Chairman Yates then raised an issue concerning a trip to Washington D.C. taken by 4 of the Council. He told us that Councilmen Core, Bear, and Whitehorn, and Councilwoman Boone had apparently gone with several of the Osage Producers Association members, to a meeting in D.C. with DOI Assistant Secretary Kevin Washburn and BIA Director Mike Black scheduled for noon on August 8, 2013. Councilmen Crum and Abbott, and Chairman Yates were not informed of the meeting until Wednesday evening (Aug 7). He was told by Councilman Red Eagle, who had been invited, but declined to go. Exactly who said what after that gets a little confusing, but the whole thing should be available on the ONG web site in a couple of days. Councilman Core was not present today, but when the other 3 were asked for the reason the others were not informed of the trip and who had financed the trip, there seemed to be several different answers provided. Councilman Whitehorn said he had paid his own way. Councilwoman Boone and Councilman Bear said that the Producers had paid for them to attend. Someone asked why the Council hadn't paid for the trip, and why a meeting hadn't been called to approve the trip. The answers to that were not clear to me. Three or four Shareholders had similar questions, and 3 or 4 other Shareholders made statements in support of the trip.

Cynthia Boone withdrew her "Email" entry from the agenda and raised several questions about expenditures relating to the upcoming Oil and Gas Summit.

Then, Ms. Boone made it clear that she didn't like the idea of ONG Police presence at OMC meetings.

Then, Ms. Boone made it clear that she didn't appreciate being subpoenaed by an ONG Congressional Committee concerning allegations made against the Chief.

Budget committee Chairman Abbott cleared up a couple of items concerning the soon to be announced FY2014 budget.

Media and Communications committee Chairman Red Eagle told us that the September newsletter was on schedule, and would be out soon.

Policy and Procedure committee Chairwoman Boone had 3 new policies she will likely present for resolution next Wednesday. I missed 2 of them, but the 3rd would require the Chairman of the Council to ask the permission of the Media committee before speaking with any public media.

This meeting adjourned about 1:30 PM.

IN MY OPINION:

The small refinery that was introduced to the Council today could be the beginning of something very good for a lot of people in the Osage. We have several refineries around the edges of the county, but this one could be easily located nearer to the producing fields, saving our producers a lot of dollars on transportation. If Chaparral can bring the old Burbank Field back to life like they are predicting, we will no doubt be needing more refinery capacity in the area soon. These folks plan to do all their own financing, and install the infrastructure necessary to gather the oil and maybe some gas, and set up their own distribution system. I wish more of the Council had shown an interest and had given this man a little more encouragement. However, it sounds like he plans to go right ahead, in spite of the luke warm reception he received.

This fiasco at the storage locker just boggles my mind. I found an OSA Discussion Forum post by Cynthia Boone dated August 25, 2011 saying “***(I believe that I owe my constituents answers. After all you elected me.)***” I have heard her say similar things in public many times. Well, even though what she did is probably entirely legal, it just doesn’t set right with a bunch of us. I really wouldn’t expect to see anything in this stuff that is really important. Now that it is totally in her custody, we will never know for sure exactly what was there. One guy got a glimpse of a few of the documents and according to him they seem to be from the era of the 30th Council.

It’s just hard to imagine what motivated her to take this stance. We did elect her, and she took an oath, twice, to protect the interests of the Shareholders. Maybe she’s going to take them home and protect them there. She sure didn’t have any answers for her constituents here, did she?

Then, along comes this little junket to DC the Producers provided for them. As background here, the BIA offered, and we accepted, \$380M, plus updating of the CFR’s, plus a meeting twice a year to explore other methods of improvement of BIA services to the Osages. The Osage Producer’s Association has vehemently protested virtually ANY AND ALL updates to the CFR’s. Boone, Whitehorn, Bear and Core obviously agree with them, yet Boone and Whitehorn were on the Trust Settlement Team, and they voted to accept the settlement. As a matter of fact, the final settlement was delayed several weeks while the section concerning improvements, of which CFR revision was a big part, was constructed to everyone’s approval. Every nickel of the settlement was offered by the DOI/BIA as compensation for BIA’s lack of performing their fiduciary trust duties as required by

the 1906 Act and the CFR's. They also offered to update the CFR's to better allow the BIA to perform these duties in the modern day world of the 21st century. Boone and Whitehorn voted to accept this.

The Producer's Association would much rather have no regulations. Why would they applaud something that would cause them to necessarily deal with checks and balances that help the royalty owners and protect the Mineral Estate? That would be kinda dumb wouldn't it? These are not dumb people. They are lawyers and financial wizards, and many have become very wealthy producing oil in the Osage. That is not a bad thing. We wish them well. We want them to stay and keep producing oil and gas here. But, we own this oil and gas. We want our fair share, and we must insist that every drop produced from our Mineral Estate is properly accounted for. That accountability is what these Producers are fighting so desperately, and for some reason, that is what Boone, Whitehorn, Bear, and Core are helping them fight,---accountability.

Now, 3 or 4 of our Minerals Council members have foolishly accepted expense money from the Producers to further promote the goals of the Producer's Association without even asking the full Council for advice, or for the expense money. There was plenty of time to give a 24 hour notice for an emergency meeting, but that wasn't done. There was plenty of time to advise the Council Chairman and the other two Councilmen that they wanted to go in support of the Producers, but that wasn't done either. If they were so eager to do something they perceived as good for the Shareholders, they could have used their own money, or they could have asked that those Shareholder's whom believe in their decision for donations for the expense.

These Producers can take care of themselves. It is their job to take advantage of every opportunity to make a little more money. They have done this very well for over 100 years, sometimes taking unfair advantage of unsuspecting Osage Councilmen. They very likely considered this opportunity to get half of the Minerals Council in their pockets a wise investment, because now, these 4 Councilpersons are certainly morally obligated to their possible adversaries in future negotiations. Obviously, any ethical obligations to their Shareholders here were totally ignored.

The Producers are saying this will cost them too much money. Well, dig this! In 1991, when the last major revision was done to the CFR's, **oil was \$20.51** per/bbl. On August 16, 2013, **oil was \$103.75**. That is a 500.58% increase. Average inflation in the U.S. over that period was 58.43%. The Producers don't tell us this, but they have sure conned these 4 Councilpersons into believing they will be broke.

Ray McClain, Osage Shareholder