

Osage Nation Energy Services, LLC

A look from the outside

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There's been a lot of smoke and flames boiling off of the Hill in the last few days concerning the new Osage Nation Energy Services, LLC. It's almost like someone was trying to reduce this LLC to ashes before it ever gets off the ground. A few are even saying how bad it is, and almost none of us have any idea yet what it is they are even trying to do. That's an unfortunate attitude to take, when virtually every one of us has been clamoring for Congress and the Chief to do something that will help the Osage people. Now that someone has initiated a major project to do just that, some immediately start suggesting that a lot of bad things will happen.

Business contract negotiations are never made public before they have been finalized. That's just the way business is done and the more we force their hand, the less likely it is that the new Board of this LLC will be able to put anything together. I don't know how the Chief came up with these 4 people, but I see nothing wrong with their credentials and I certainly don't know of anything wrong with the character of each. I have never met Mr. Hessert or Mr. Standridge. I have met Mark Sims a couple of times, and I have met Ms. Jones once, several years ago. I do know that Ms. Jones comes from a very prominent Osage family who has lived in the Skiatook area for many generations. I know her mother, and I knew her Grandmother and Grandfather, her Great Grandfather and Grandmother and her uncle, since I was a little tyke. Her Great Grandparents donated several acres of land for the school where I started and went thru the 6th grade. The way Ms. Jones stood up for that Board on Wednesday, I'm beginning to think that John Wayne may also be up in her family tree somewhere. I would have expected nothing less from someone of her lineage and I think she will make a great Chairman for this Board. And, Mr. Hessert had no problem explaining his position either. I don't think he will put up with any foolishness what-so-ever.

I know that everyone wants to know what's going on, so I will tell you what little I know about it, and it all comes from asking questions and listening very closely to what I was told. None of this information comes from the Board, it's members, or anyone connected to it.

The co-generation project has been bandied about for well over a year now. The purpose is multi-faceted.

- First, it will generate 3 phase electricity, in places relatively close to where the producers need it to power the submersible pumps used in the Hz wells. Any excess electricity made can be sold to the nearest power grid.
- These generators will be steam powered and that requires heat and water.

- A new, tested and proven boiler system to make steam using salt water as feed stock is proposed to be used. There will be 2 by-products created; a little trickle of salt comes out one side, and clean, fresh distilled water comes out the other. The steam generated will turn the turbines, thus generating the electricity. It may be possible that even the small amount of salt produced can be sold for use on winter roads. The clean water is precious anytime.
- These steam generators (boilers) will be fired using the ample supply of natural gas being produced by the very wells they are supplying the power to pump. It could be called “the Osage version of perpetual motion.” The producers will pay market rates for the electricity they use and they will in turn, be paid market rates for the gas consumed, and maybe a little for the salt water, the Shareholders will receive their royalty on both, and the ONG will share in the profits from electricity.
- Another problem it solves is; these steam generators can burn gas containing H_2S , thereby rendering it harmless. That would allow any wells shut in because of bad gas to start producing again. This will be a totally “green” operation from top to bottom.

All of this will not cost the ONG one dime, except for office expense and the expense of the Board. The financing has been arranged for, but was put on hold when this political uproar came up. Once this is settled, I think things will quickly get back on track. You can't blame a financier for being a little reluctant to throw several million dollars into something where they aren't sure who is even authorized to sign the documents. Maybe this was resolved Wednesday. Further, I am told that this is not one giant generating plant that is being considered, but several smaller units, of various sizes, and strategically located where the need is the greatest.

In my opinion, this is the greatest thing to come to the Osage since rotary drilling rigs. I hope everyone will calm down a little, and let's let these people get to work. Let's let this play out and see where it goes. The only thing we have to lose is----the whole deal if we keep interfering and bad mouthing hypothetical problems.

Another project being considered is a pipe storage facility. Enbridge Pipeline Company, a Canadian owned pipeline operating company, is about to build a 36 inch pipeline to move oil from Cushing, OK to refineries to the north and east. As I understand it, Osage Nation Energy Services, LLC plans to work a deal with Enbridge to unload and store the pipe for the Osage county section of this system as it is hauled out of the pipe mill. This is a relatively short term project, and could be completed within a year, but a tidy profit for the Nation could be turned in this short time.

Land recently purchased by the ONG a few miles south of Pawhuska could be used. This should produce a little positive cash flow for the LLC, possibly enough to provide operating expenses for the first year or so. I would expect this project to require a little seed money for a small payroll and some equipment rental if the LLC plans to do the actual work of building the site and unloading the pipe. This is where the profits would be really good if it's done right.

The Articles of Operation for the new LLC opens the door to many other opportunities for profits and for employment. I believe this Board knows what they are doing, and they don't need any distractions right now, so let's don't discourage them any further with our petty whining about things that haven't happened yet. Mistakes will be made, no doubt, but the only way to be absolutely sure of not making a mistake, is to not do anything. There's been enough of that. Remember that health board? They were all pro's, and they all quit after a couple of weeks because of interference. This is a win, win, win situation for the Nation, and particularly for the Shareholders. Lack of readily available 3 phase power has been a major problem for our producers. Let's don't let this get bogged down in politics.

Ray McClain, Osage Shareholder