

Osage Minerals Council Meeting 5/15/2013

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May 16, 2013

The meeting opened with a prayer offered by Councilwoman Cynthia Boone. Tribal accountants Leslie Young and Julia Hutson gave their reports. Ms. Young said that she expects to be making the last drawdown for this fiscal year. So far, 7 months into the year, the Council has used \$457,329.89 (45.73%) of the \$1,000,000 available for operations.

Auditor Jim Swan was back today. He is supposed to be taking it easy for a while, but he jumped right in and first filled in some gaps in the report we received last month, and then proceeded to give us his full report for March, 2013. Daily production was back up to 14,248 BPD, and the 20% royalty oil was up to 16.17% of the total royalty barrels. This will help out our September check. Everyone gave Jim a big round of applause to welcome him back.

BIA Supervisory Petroleum Engineer Charles Hurlburt didn't have much to say about production, but he did tell us that 5 abandoned wells had been identified as ready to plug and that a request for bids to plug had gone out to contractors. None of the 5 were classified as emergencies. There is reported to be 3,500 of these abandoned wells on the Mineral Estate. At least this will be 5 of them behind us.

Acting Superintendent Rhonda Loftin fielded several questions from Councilwoman Cynthia Boone. Ms. Boone asked her why the NRC had recommended adopting all of the BLM onshore orders concerning oil production. Ms. Boone kept referring to a black notebook about 1 inch thick, saying that this was the set of onshore orders that the NRC had adopted. Ms. Loftin explained several times that only Onshore Order 5, Measurement of Gas and Onshore Order 6, Hydrogen Sulfide Operations had been recommended, and that only the applicable language from those regs would be used, and then only on a selective basis. Neither order was adopted in its entirety, and none of the other onshore orders were even being considered. Ms. Boone disagreed. After much discussion, Ms. Boone was asked where the notebook had come from. She said she had got it from the Producers at a meeting about a month ago. It was explained to her that this is what the Producers had been claiming also, but in fact, only parts of 2 of the 7 onshore orders contained in that book were being considered, and that was because those two issues had never been addressed at all in the original CFR's. Chairman Crum further explained that this notebook was a part of the negotiating campaign the Producers' Association had been waging against updating the CFR's.

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An executive session was held concerning a personnel issue, and to address a problem BGI Resources' attorney Tara Righetti was having over access to BGI's leases.

Under old business, the minutes of the last meeting were approved, subject to minor corrections.

Under new business, Councilman Core had several suggestions for the Council to take into consideration before the next meeting concerning the 2014 elections. No action was taken today. Then, after a brief discussion where Councilman Crum announced that he would be stepping down as Chairman, Councilman Core nominated Andrew Yates to be Chairman of the Minerals Council. Cynthia Boone then nominated Dudley Whitethorn to be Chairman. Yates got 5 votes and Whitehorn got 3.

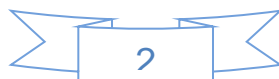
Andrew Yates will take over as Chairman of the Minerals Council at the first meeting in June, 2013.

Under committee reports, media Chairman Myron Red Eagle said that the deadline would be next week for getting articles into the June newsletter. Well plugging committee Chairman Andrew Yates went over some of the details of plugging the 5 wells Charles Hurlburt had mentioned earlier. Chairman Crum briefly discussed the water conservation meeting attended last week. No other committees had reports.

The meeting adjourned about 2:00 PM

IN MY OPINION:

For the very first time, on this Wednesday I was told by a very reliable source that Melissa Currey had resigned her job at the BIA, effective April 30, 2013. I know this seems like old news, but I try not to depend on rumors, and that was all I had been hearing. Other rumors about Ms. Currey and others abound, but until they are confirmed, you will have to hear them from someone else.



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Acting Superintendent Rhonda Loftin's original "detail" to Pawhuska expired on or about May 7, 2013. Her "detail" has now been extended another 120 days. Hopefully, BIA will make a decision by then about appointment of a permanent Superintendent.

Ms. Loftin has done a great job here. She seems to have gained the respect of the BIA employees working for her, and as a result, we Shareholders, and the Producers, are receiving much better service. It would suit me just fine if they gave her the job permanently.

That's not to say that she doesn't have a few detractors. She began her "detail" as Acting Superintendent on January 7, 2013. At a Council meeting on January 11, 2013, only 4 days on the job, she was rudely roused by a Shareholder/heckler about why she hadn't yet gotten about a dozen different issues corrected. At virtually every subsequent Council meeting, including today, someone has tried to take a verbal swat at her. If she misses a meeting, they set in on her deputy who fills in when Ms. Loftin can't be there. Today it was Cynthia Boone picking at her about Cynthia's own totally uninformed concept of the NRC's proposals for CFR changes. Ms. Loftin always remains cool and collected, never raising her voice, and she always addresses the questions precisely and to the point. If she ever does lose her cool, I hope I am not the subject. This is one tough lady and she knows her business!

All of these Shareholder/hecklers are Melissa Currey supporters and some of them really strutted their stuff today. After the call to recess for the executive session, one even shouted out that she wanted the entire Minerals Council to take a DNA test. I can only assume this would be to confirm that the Council is really made up of Osages. I had never heard that one before.

It's beginning to look to me like this small core of Melissa Currey supporters are blaming Ms. Loftin for the untimely departure of Ms. Currey. Well, Ms. Currey was not fired. Ms. Currey resigned her job with BIA. What ever the reason she resigned, I assure you it wasn't just because Rhonda Loftin showed up one day. It may be another year or so before we find out why Ms. Currey resigned. I sure hope BIA doesn't wait that long to make a permanent assignment. We need the help right now!

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I am told that Galen Crum had made the decision to resign as Chairman some time ago. The time for the annual review of the Chairmanship was coming up in June. I don't know of anyone who could have done a better job as Chair as the Council worked it's way through the settlement and then through the negotiated rulemaking process.

I have every confidence that Andrew Yates will do equally well. He has spent his entire life living and working in various aspects of the oil industry right here in the Osage. He has worked for the Nation's Energy and Natural Resources department for many of those years, dealing with salt water disposal, abandoned wells and facility sites, and EPA regulations. This experience, plus his natural ability to get along with people, will give him a big "leg up" on the responsibilities of being Chairman of the Osage Minerals Council.

I think someone must have called the police at intermission because several did show up. It probably did not get on the audio recording of the meeting, but there was a despicable display of tempers and disrespect concerning the remark from the heckler in the audience about subjecting the entire Council to a DNA test. Everyone was probably offended. It looked to me like police presence was the only reasonable way to keep things under control. At least a fist fight never did break out and things quieted down a bit. I guess you would have just had to have been there to understand it all.

This is some of the "ugly" I warned you about.

In a post on the OSA blog on 5/15/2013, Cynthia Boone says that "3 new faces from the Department of Interior were in the audience today." I too, saw the 3 new faces, and it wouldn't surprise me if they were from the DOI. Investigators, lawyers, auditors, and accountants have been pouring over the past records of the Pawhuska BIA for several months now. They didn't see it all today, but I'm sure they saw enough to make some very important decisions about what they will be putting in their reports. Maybe today's abhorrent display of disrespect will result in something good after all.

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On a brighter note, a Devon representative told me today that they now have two of their 7 new Hz's in the South Bend area on production and they are making about 140 barrels per day each, with lots of water. So far, the disposal well is handling the water with no problems. They have had a problem with thread leaks in the production string of casing on at least one of the other wells at this location. They have worked out a "fix" and are waiting on availability of equipment to get the others on line. They should get started within a couple of months. They also plan to drill 3 more Hz's at the north end of their concession in July. These 3 wells are a part of their plan to evaluate the true potential of their concession.

Ray McClain, Osage Shareholder