

Osage Minerals Council Meeting 12/18/2103

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December 21, 2013

Chairman Andrew Yates opened this last meeting of the year with a prayer by Councilwoman Cynthia Boone. He told us that Tribal Accountants Leslie Young and Julia Roe were busy working on year end business, therefore there would be no formal report from them today. The Council was furnished paper copies of their reports for their file.

Minerals Council auditor Jim Swan gave his monthly report. Production for October, 2013 (the reporting month) was up 166 barrels per day over this same period in 2012, and up 223 barrels per day over September, 2013's average. Third quarter oil prices averaged \$104.63 p/bbl. October, 2013 oil averaged \$99.50, and November is estimated to have been \$90.47.

BIA Acting Superintendent Robin Phillips told us that 4 of the positions for field technicians had been filled, but that several more were still open and were currently being advertised. She said these jobs pay from \$31,000 to \$41,000 per year, depending on prior experience.

Encana Energy, Thunder Petroleum, and Spyglass Energy Group were entertained in executive session today. Encana had brought their tentative purchaser in for an introduction. No action was taken on any proposals that may have been made, but it is expected that they will be back next month.

Thunder Petroleum was asking to add gas to one of their "oil only" leases. This was approved 8 yes—0 no.

Spyglass Energy Group requested a 30 day extension for paying \$640,000 to extend their West Piersonia concession. This was approved 8 yes--- 0 no.

Councilman Melvin Core presented a rewritten resolution to replace Resolution 2-166, which contained confusing language. His motion was approved 5 yes, and 3 no, with Crum, Abbott, and Yates dissenting.

The Council invited Mr. Rick Torix to explain his proposal to chair the Osage Oil and Gas Summit in 2014. Mr. Torix noted his credentials and described his experience in putting on conventions and expositions. He was asked to write a contract to do the Summit next year, and they would consider it next month. He also proposed establishing a web site, dedicated entirely to promoting the Summit.

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He explained that email advertisements would be sent out to promote participation through this web site. The Council agreed that Mr. Torix should be given the mailing addresses of all participants of previous Summits. He said the cost would be \$12,500 to design and build the site, and to get it up and running. This was also tabled until next month.

Cynthia Boone presented a resolution containing 6 or 8 new or changed policies. It was decided to consider these on a one by one basis. One was not approved and the rest were approved. Ms. Boone also presented a resolution to adopt an employee grievance policy. A vote to table this issue to allow the staff attorney to review it was 7 yes, and 1 no, with Councilman Abbott dissenting.

Councilman Crum motioned to approve the meeting schedule for 2014, similar to the previously established schedule, and subject to exceptions for holidays and unforeseen events. Councilman Core seconded. This passed 8 yes, 0 no.

Councilman Core motioned for a resolution to establish an automatic Cost Of Living Adjustment for the Council salaries each year. The amount will be determined using the U S Consumer Price Index (Urban), as of September 30 of each year, and published by the US Government. Usually published in November, this salary adjustment will be paid retroactive to October 1 of each year. The vote to approve was 7 yes, 0 no, with 1 abstention. Councilman Abbott explained that since he did not draw a Council salary, he would abstain from voting on this issue.

Councilman Red Eagle made a motion that the next lease sale be held on March 19, 2014. This was passed 8 yes, 0 no.

Councilman Crum made a motion to hold both January, 2014 meetings at the Cultural Center. He explained that this move was necessary because the Osage Nation Congress has scheduled the removal trial for Chief John Red Eagle to be held in the Council Chambers during that period. The vote was 7 yes and 1 no, with Councilman Abbott dissenting.

The meeting was adjourned sometime shortly after 2:00 PM.

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IN MY OPINION:

Although our daily production rate is still slowly rising, Jim Swan's numbers on royalty oil prices are sending us an ominous message for March. The average HPP for the first 2 months of this 4th quarter, 2013, is down 4.61% from the 3rd quarter average. So far, December, 2013 HPP seems to have stabilized in the low \$90's. This means we might well expect our March payment to be down about \$400 per headright. A large lease takedown or a concession agreement could compensate, but it would take a nearly \$1 million deal to do it, and I see nothing like that coming soon enough to effect the March check. The proceeds of the upcoming March lease sale will be on the June, 2014 check.

The BIA Pawhuska Agency has some very good jobs open now. They pay somewhat above the average median wage for the area, with full benefits, all Government paid holidays, retirement, Indian preference, and pretty good job security. Some of our ambitious young people are missing a great opportunity for a career here, and it's right here at home. Please give it some thought.

Joyce Whitewing did such a great job putting on the Osage Oil and Gas Summit each year, and she did it for very little personal gain. After paying her out of pocket expenses throughout each year, I doubt that she went home with much. She loved the Osage People, and she loved her work with the Producers Association and, because of this, she had us all terribly spoiled. Well, Joyce is gone now, and we are forced to face the reality of the world as it actually is. Mr. Torix is asking for \$20,000 and a one year contract to do the O&G Summit in 2014. We are lucky to get someone with his credentials to do it at any price. He is proposing to concentrate much of his time on advertising and promoting the Summit. That's what he does best. Let's give him a chance to show us. If it works, he could at least double the participation. This would return the extra cost several times over. Either way, it won't cost the Shareholders a dime. The Producers put up the original seed money several years ago, and that is used for operating capital throughout the year. Registrations, exhibitors, and other contributions from supporters replace the money spent each year. Mr. Torix comes with a fresh approach. Let's see how he does. We might even learn something. Imagine that!

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The automatic COLA each year was a bold move by Mr. Core, and it will bring the Council a little closer to how it's really done in the 21st century. In reality, if the annual cost of living goes up, and a Cost Of Living Adjustment is not made, that employee actually receives a cut in the value of their salary for the next year. This is not a raise. This simply keeps everyone up with inflation. The U S Consumer Price Index (Urban) is a measure of inflation, and is the basis for Cost-Of-Living Adjustments (COLAs) made by the Social Security Administration and it is the Consumer Price Index (CPI) for All Urban Consumers (CPI-U). It represents the annual average of monthly inflation rates in a year for goods and services purchased by about 87 percent of the U.S. population. This probably won't be politically popular, but it needed to be done. Good job, Mr. Core.

I have been fervently trying to find out something about the anticipated rise in production promised for the Chaparral North Burbank Unit. They were supposed to start opening up the valves on October 1, and by December 31, they were supposed to be getting an additional 2,500 barrels per day. In my simple mind, the October production should be calculated and reported to the BIA by the 25th of November. Here it is December 18th, and NOBODY seems to know ANYTHING. I'll keep digging, and when I find out something, I'll let you know.

All of you, have a very Merry Christmas, and please be safe over the holiday season. If any of you around the country are craving some ice and snow with your turkey, let someone back here know. It could probably be arranged.

Ray McClain, Osage Shareholder