

## **Osage/BIA Negotiated Rulemaking Committee Meetings on Aug. 21-22, 2012**

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The Negotiated Rulemaking Committee, consisting of 5 members of the Osage Minerals Council and 5 members from the US Dept. of Interior/Bureau of Indian Affairs, convened for a formal public meeting at 11:00 AM on August 21, 2012 in the Council chambers. This was a 2 day meeting, and finished up about 4:30 PM on the 22<sup>nd</sup>. This meeting was the first in a series of planned meetings and is another result of the HPP Trust settlement agreed to in October of 2011. The purpose of the meetings is to bring the Code of Federal Regulations (CFR's) up to date. They were last revised in May of 1994. Many things have happened in the last 18 ½ years that, at best, cause these out-of-date CFR's to be difficult to interpret and occasionally totally inapplicable to our current situation in the Osage. The CFR's are the detailed regulations pertaining to how the BIA administers the Osage Mineral Estate Trust and considering all of the new geo-physical, drilling, and production technology now being used, one can easily see where what may have been good 18 years ago, may not necessarily be so good today. The Minerals Council's oil and gas expert has told them that, properly done, this CFR revision could, in the future, easily result in royalty dollars amounting to far more than the \$330 million cash settlement received last fall and he is a part of the Council's negotiating team. That's just one of many things that need to be addressed.

A "facilitator" to Chair these meetings was selected a couple of weeks ago. It looks like they have made an excellent choice. He ran these two days of meetings in a fair and even handed manner, and kept things running smoothly and kept everyone focused on the issues at hand. It was explained that this committee can operate for up to two years under its Charter, and should it become necessary, there is a procedure available to extend the lifetime of the committee. The plan is, for the committee to meet monthly for the rest of this year and all of the meetings will be open to the public. The September meeting will be held in Pawhuska. The specific days and time will be announced. Location of the Oct., Nov., and Dec. meetings is still being discussed.

The following areas of contention will be discussed and hopefully resolved over the next two years:

1. Standardizing the reporting from operators, purchasers, and payers to the BIA and to the Minerals Council of production accounting and management.
2. Identifying the source, manner, and format of transmission of these reports.

3. Make appropriate revisions to the methods of calculating royalties and rentals for oil and gas; including, but not limited to royalty rates, royalty value, (pricing) and rental rates.
4. Identifying the best feasible practices for developing and conducting onsite inspection programs.
5. Identifying the feasibility of implementing technological enhancements for generating run tickets and other production data and for reporting that information to the Minerals Council and to the BIA.
6. Identifying the best feasible practices for gauging oil and gas production and the resources needed to implement the strategy selected.
7. Identifying and implementing the best feasible practices for tank battery gauging.
8. Determining and documenting the formal communication procedure needed to diligently manage the Osage Mineral Estate between the Osage Nation, The Minerals Council, and the BIA.

There is no doubt that other issues not yet identified will flow from the deliberations on the above listed matters and from the comments made by the public at the upcoming open meetings. There will be 2 opportunities each day of all future public meetings for the public to make comments or statements concerning the negotiations, and although committee members are not expected to reply to these comments in the meetings, they will be noted and considered by the committee.

There are many important issues to be resolved but if things continue to go as well as they did in this first meeting, it may be possible to fix the problems with the CFR's in much less time than the two years provided. Once the Negotiated Rulemaking Committee has completed their work, the results will be forwarded to the Office of the US Secretary of the Interior with their recommendations. The DOI will make their decisions for changes, based on these results. The following is the URL of the NRC's web site:

<http://www.bia.gov/osageregnet/>

There are links at the bottom of the web page to various aspects of the negotiations where you can see exactly what changes are being considered. It's worth taking a look.

Ray McClain, Osage Shareholder