

PROCEDURES FOR OBTAINING A DRILLING PERMIT FROM THE

BIA/OSAGE NATION

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This is the order of proceeding that is required from the Bureau of Indian Affairs, under the Department of the Interior, when a producer seeks to drill for oil, natural gas, or coal bed methane on the Osage Reservation:

- 1). First the potential producer researches the property, usually using the plat books, seismic information, production history, and other resources located at the Bureau of Indian Affairs Agency, Pawhuska, OK.
- 2). Once the producer has determined a desirable drilling site within the Osage Minerals Estate, they will proceed to the location and put a stake down showing where the proposed well bore will be and then initiate a geographical survey of the location. Once this has been completed, they must inform the BIA of their intent.
- 3). The producer may then nominate the lease to be included in the next ensuing Oil and Gas Tract Auction. A \$100 deposit to nominate each lease is required. If the nominator becomes the successful bidder, this deposit is credited to the amount due. Should the nominator not be the successful bidder, in most instances, the deposit will be refunded. These lease sales are open to the public and any entity properly registered with the BIA may bid on this lease and other leases at the auction. Leases may also be individually negotiated with the Osage Minerals Council or included in a leasing concession, however these options are always at the discretion of the Minerals Council. Each successful bidder at a Lease Sale must pay the BIA at least 25% of the winning bid price on the day of the sale, and any balance is due within 20 days of the date of the sale. This money is referred to as the "bonus" paid for a lease.
- 4). If the new lease holder intends to drill a well, a drilling permit is required. Osage Form No. 139 is the application for a drilling permit. This application is provided by the BIA and must, along with all attachments, be completed in its entirety and submitted to the Superintendent of the Osage Agency, Pawhuska, Oklahoma for final approval before drilling can commence.
- 5). Once received by the BIA, the application is directed to the BIA Subsurface Department for entry into the tracking system for verification of a valid lease and plotting of the well in the plat book.

- 6). The application is then forwarded to the BIA Realty Department for a land status review to be classified as restricted or non-restricted, and then returned to the Subsurface Department.
- 7). The Subsurface Department then sends the application to the Archeologist where 1 of 2 things should happen:
- a). If the Archeological Survey is done by outside contract then, once the application/survey is received, letters are prepared and mailed for State approval.
 - b). If the Archeological Survey is being done by the Osage Agency's CRT (Cultural Resource Technician), a blank survey report is forwarded to the CRT to be completed within 10 working days, then returned to the Agency Archeologist for preparation of letters to the State for their approval.
- 8). After a required 30 day public comment period by the State, assuming no problems arose during the comment period, the cleared drilling permit applications are then forwarded back to the BIA Subsurface Department.
- 9). During this time the producer and the BIA must meet with the surface owner (where the surface owner is non-restricted or non-Osage) to indicate to the surface owner the proposed location of the drilling site and arrange for the route of ingress and egress, and give the surface owner their contact information for communication concerning surface damages claims. When the surface owner is restricted, this same policy is followed except the producer must deal directly with the Superintendent of the BIA. Before commencing operations, the producer must pay the surface owner twenty-five dollars per seismic hole, and three hundred dollars for each well to be drilled. The same procedure is followed when paying to a restricted surface owner, except the money is paid to the Superintendent of the Osage Agency where it is credited to the restricted land owner. Other fees are also required and can be identified by referring to CFR Chapter 25, Part 226.18. These are the preliminary steps that must be taken before a drilling permit will be granted to a producer. In general, this merry-go-round takes approximately 15 working days, and this is in addition to the 30 day public comment period required by the State of Oklahoma, plus mailing time.
- 10). The Subsurface Department then prepares a completed Permit for the Superintendent's signature.

11). The Superintendent then must approve and sign the permit and return it to the Subsurface Department where it is encoded into the tracking system. A copy of the permit is mailed to the producer and the original permit is sent to Change Orders in the BIA Lease Compliance Department where it is entered into the Lease File and any changes as to where the final location of the well will be are entered in the plat book. The producer must, within a reasonable amount of time, inform the BIA when he intends to commence drilling.

12). When the Lessee then completes the well, they are required to complete and submit a Completion Report, known as Osage Form no. 208, to the BIA. This completed form goes through Change Orders and the plat map location is now modified to indicate a producing well, disposal well, dry hole, etc.

Obviously, once a producer becomes the owner of a Lease in the Osage, 45 days is the bare minimum of time required to get a drilling permit. And this can only happen if no one in this entire chain of events drops the ball and there is no adverse public comment. Rarely will a permit be issued within 45 days after application. The BIA always tells applicants to expect at least 60 days. A prudent producer will apply for drilling permits well in advance of the date they intend to commence drilling operations when possible, but another thing he must consider is the 6 month expiration date of an unused permit. A producer will have a plan of operations prepared, but this plan can virtually never be followed perfectly. He might have good luck, and he could have bad luck. Once that drill bit is lowered through the rotary table, anything can happen, and most of those things are totally beyond the control of the driller. All he can do is react to the instant situation. For these reasons, producers are reluctant to get out too far ahead of themselves with permitting. Going through this entire procedure again to replace an expired permit would not be a popular exercise for most, however, if the producer can demonstrate that he has made a reasonable effort to comply with the time limit and if no other substantial changes have occurred, the BIA will normally grant an extension of the expiration date.

The above information was compiled and verified by Osage Minerals Councilman Myron Red Eagle.

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