

# Minerals Council Meeting 2/20/2013

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The meeting opened with a prayer from Councilman Curtis Bear. Tribal accountants Leslie Young and Julia Hutson then gave their monthly reports. Ms. Young advised the Council that, at 34% of the way through the fiscal year, they have currently used 30% of the budget for the year. As I recall, last month they were also quite a bit under budget. This is good. Hopefully, when the Negotiated Rulemaking Committee finishes their series of meetings and when all the investigative field trips are behind us, we won't need to spend much more money on that. The rest will be up to BIA to sort through the changes recommended and make their decisions.

The BIA's Supervisory Petroleum Engineer Charles Hurlbert told us that the permitting applications for drilling is pretty much holding it's own now. He said that they approved 24 permits last week, but 28 new applications came in. He did say that now, when a problem is found on an application, the app is mailed back to it's author immediately, with a note describing the deficiency. This puts the ball back into the applicant's court, and makes it their responsibility to make corrections in a timely manner if they want to drill a well. This seems like a very simple solution to a very big problem, but it works, and this very simple fix was a big step forward in streamlining the permit system. He also said that the volume of drilling permit applications seems to be increasing steadily, and that most of the latest ones are from the smaller operators. This is more good news. We will always need the smaller producers to fill in the gaps where the larger, horizontal producers may not be interested in just one or two quarter sections at a time. It looks like the little guys are stepping up to the plate, just like they always have.

Acting Superintendent Rhonda Loftin told us that the Pawhuska BIA is in the process of setting up a new database to be loaded with information on leasing and production accounting. I think she said that electronic transmission of run ticket information will now go directly into this system. The Minerals Council will have access to this information anytime. This should be a big help in the MC's decision making efforts. Also, it will allow the MC to easily monitor the day to day operations of the Mineral Estate. This is something that should have been done years ago, but it wasn't. If this lady keeps on, she'll have this agency operating at full steam before long. Then I'll have to find something else to gripe about, dang it.

On Council business:

A motion to eliminate the position of Minerals Technician was passed 6 Yes, 2 No, with Core and Red Eagle dissenting.

A motion to hire Deana Ratcliff (Osage) for the position of Trust Clerk was passed 5 Yes, 3 No, with Core, Red Eagle, and Whitehorn dissenting.

The BIA had informed the Council that, due to cut backs in funding, they would no longer pay travel expenses to NRC meetings for Jim Stockbridge, the BLM gas accounting and marketing expert the BIA had borrowed from the BLM when these negotiations first started. A motion was made to pay the estimated \$1700 in expenses whereby Mr. Stockbridge could be here to help finalize the NRC's recommendations for changes to the CFR's. The vote was 4 Yes, and 4 No. A tie vote is a No vote, and the motion failed.

This meeting adjourned about 2:00 PM.

I just can't help but wonder what motivated these four people to vote "no" on these expenses. I have watched Mr. Stockbridge and listened to him at these NRC meetings, and I have had a couple of conversations with him. In my opinion, he has probably forgot more about gas accounting and marketing and the infrastructure necessary to produce and get gas to the point of sale, than all of the people in that room today put together will ever know in our entire lifetimes. We are just liable to see that \$1700 they saved today cost us many millions in future gas and other royalties. The problem is, we won't necessarily "see" it. It just won't happen if it's not put in the new CFR's correctly. Once again, I was disappointed in our Minerals Council's apparent lack of forethought. I hope one of them will explain to me what it is that I'm not seeing here.

There will be open meetings of the NRC on the 25<sup>th</sup>, 26<sup>th</sup>, and the 27<sup>th</sup> of this month at the Wha-Zha-Zhi Cultural Center in Pawhuska where we will get our first look at the committee's proposed changes to the CFRs. The meetings are scheduled to begin at 8:00 AM. These CFR's are the Federal rules and regulations for running the Mineral Estate and they must be followed to the letter by the producers and by the BIA. They are for the benefit of the Shareholders and all Shareholders should be very interested in what they say. It's been 20 years since any substantial changes have been made and we may have to live with these new changes for another 20 years. Let's get it done right and make sure that they work in our best interest. Try to be there if you can. It's very important to all of us.

Ray McClain, Osage Shareholder