

Osage Minerals Council Meeting 11/15/2013

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11/16/2013

Opening for this meeting was delayed until about 11:20 AM to accommodate the ONG. Congress had called a Special Session for the 14th and they came back at 9:00 AM on the 15th to finish up. This was the vote on the motion to proceed with a trial for removal of Chief Red Eagle from office. This only lasted a few minutes, but then, Chief Red Eagle had called a Special Session for 10:00 AM to approve some of the budgets. The OMC meeting was finally opened at about 11:20 AM by Councilman Crum, who served as Acting Chairman today. Chairman Andrew Yates was meeting with the Department of Interior in Washington today regarding issues with the wind farm. Councilman Myron Red Eagle offered the prayer and Acting Chairman Crum welcomed everyone, and in particular the new BIA Acting Superintendent Robin Phillips and the permanent Deputy Superintendent Jeanine Hale, to their first OMC meeting.

BIA Supervisory Petroleum Engineer Charles Hurlburt told us that although recent Operations Reports had shown very few approved permits, about 35 permits were still in the system that would normally have been published by now. He assured us that this will quickly be corrected.

Acting Superintendent Phillips gave us a brief rundown on her experience and her career with the BIA. She seems to be very qualified to run this agency. She then assured us that our December payment scheduling had suffered no setbacks due to the government shutdown, and that the checks should arrive no later than December 16, and probably much sooner. Further, she told us that several of the vacant positions at BIA had been filled or had been advertised as open. Also, they have been making decisions on what new positions would be created and will soon start advertising to fill those. One position mentioned was a petroleum engineer. One of the Council asked what BIA planned to do about the wind farm problem. Ms. Phillips said that the issue was still being reviewed.

Budget Committee Chairman Sonny Abbott asked Ms. Phillips if she anticipated any delays in the future when approving the budget for the C395 account. She told him that, as far as she was aware, BIA approval was not required for the budget for the C395 account, and that only the requests for drawdowns required BIA approval. Councilman Abbott stated that they had been told this was required from day one, and that they had waited as long as

6 months for approval at least 2 different times, making it necessary to use ONG funds to pay overdue bills and paychecks. Ms. Phillips offered no explanation for why this might have happened in the past.

Another executive session was held with four Producers:

Sullivan & Company---Bob & Bill Sullivan
Wellco Energy---Stan DeLong
Linn Operating Company---Miles Welke
Grand Resources---Scott Robinowitz

We don't know what they wanted, but no action was taken today on any of the executive session hearings. Normal procedure allows for a few days for consideration of the requests, and any action on those requests will be deferred to the next meeting which will be on Nov. 20th.

After a brief intermission, a report on the Osage Oil and Gas Summit was scheduled, but no one was available to give the report. It was assumed that Chairman Yates intended to give this report, but he was out of town.

Under new business, Mr. Tim Burchett with Coffeyville Refining spoke, asking that the Council exercise their authority to forgive or reduce a \$65,000 late payment penalty assessed CVR for being about 15 days late paying \$4.2 million in royalty payments last May. The penalty has been paid, and will be included in the December headright payment. He was asking that the penalty be refunded or credited back to CVR. Mr. Burchett apologized for the oversight, and assured the Council that every effort would be made to see that this doesn't happen again. The Council asked how much of their refinery run each day comes from the Osage. The answer was not quite clear, but I think he finally said "about 50%." This request will be considered and further discussion on the issue was promised at the meeting next Wednesday.

Mr. Dean Williams with IHS, a nationwide oil and gas information service based in Englewood, Colorado, spoke requesting to be allowed to retrieve leasing, seismic, and production history information from the BIA files. He proposed that this information would be uploaded to their database and be made available on the internet. It would cost the MC nothing, but IHS charges their subscribers to use the database. Several on the Council seemed to think that this might not be a bad idea, and the request will be given further consideration.

Also, the Osage Nation Foundation had requested that the MC support their 2013 Christmas Celebration. It was suggested that the Council buy a table for \$250.00. Some discussion was held, and Cynthia Boone announced that she intended to vote “no” on this issue. Curtis Bear agreed to make the motion for support of the Foundation at next week’s meeting.

Acting Chairman Crum informed us of a phone poll that had been taken to authorize Chairman Yates’ travel expense to Washington to meet with the DOI about Chaparral’s problem with the wind farm encroachment occurring on their leases. He said that the vote was 6 to 2 “yes,” with Boone and Whitehorn dissenting. Cynthia Boone complained that she had not received a copy of a letter from Chaparral Energy to the BIA requesting help on the wind farm issue, therefore she didn’t have enough information to properly consider the question.

This meeting adjourned about 3:00 PM.

IN MY OPINION:

This was a sad day for the Osage people. My heart goes out to the Chief, but my heart also goes out to all 12 of our Congresspersons who were forced to make this very courageous decision to move the complaints against the Chief forward to trial. They had much more information available to them than the public will probably ever know, and I feel certain that, at the very best, mistakes had been made that were not necessary. Some of these Congress members were very good, lifelong friends of the Chief. A sad, sad day for all.

I was very impressed with the credentials Ms. Phillips presented. She gave a quite comprehensive rundown on her work history and it sounds like just what is needed to continue to get the BIA off of high-center and back on the long road ahead to full service to the Osage Shareholders. When Councilman Abbott asked that, since he was Budget Committee Chairman, he would like to know if we might expect more timely BIA approval of the C395 budgets in the future, everyone in the room was shocked to find out that BIA approval was not required for the C395 budget, nor had it ever been as far as Ms. Phillips knew. Councilman Abbott then asked some very pointed questions of her about this and she forthrightly answered every one of them. According to Councilman Abbott, this “power to approve” was used by Melissa Currey since MC2 was first seated, and as I recall, it first began to be abused by causing long delays (6 months on 2 different occasions) about the time

Galen Crum was chosen to Chair the MC. Mr. Abbott said that he had found it necessary to go to the BIA Director in Washington more than once to get a budget approved. This causes me to wonder why the Director didn't stop this practice at that time. I haven't talked to any of the first Council about this, but I would bet that they were also saddled with this non-existent, imaginary rule of Ms. Currey's. Cynthia Boone was budget Chairperson for most of MC1's time in office, and there is no mention of a problem with delayed budget approval in their minutes. But Councilman Abbott encountered delays just about every time he submitted a new, Council approved budget.

Do you recall the January 16, 2013 Resolution by Cynthia Boone for a letter of support for Melissa Currey? I do, but I didn't notice anyone jumping up to reaffirm that letter of support today.

Mr. Burchett did a fine job of presenting CVR's case for relief from the late penalty, but it reminded me a lot of a good lawyer trying to defend someone who has admitted doing the crime. An apology here just may not be enough. Osage oil totals about 50% of the feedstocks used by CVR each day. You would think that a \$4.2 million error would be noticed in less than 15 days. It looks to me like one or more people must have spent about 14 ½ of those days trying to cover up this blunder. Personally, I suggest that CVR contact each Shareholder and ask each to send them back \$29.16 per headright share. That's what they are asking the Minerals Council to do for them. I would expect that the Council will make this decision soon.

IHS's proposal warrants further consideration. It is for certain that precious little has been done to promote our Mineral Estate on a global scale, or any other scale for that matter. Both Councils have touted the ENR database and the "data conversion" project, and after 5 or 6 years, they only have the production history from 1916 through 1978 loaded onto a spread sheet, with a link available to it. It is not uploaded into the database as we were first led to believe it would be. A spread sheet has very limited flexibility in its use, while a database has nearly infinite possibilities, and its uses are limited only by the imagination (or lack thereof) of its designer. Now, ENR has lost the only person they had who was qualified to manipulate their database. I asked the BIA today how long it would be before their new database was installed and all the data uploaded and available. The answer the Supervisory Petroleum Engineer gave was 1 year to 179 years---meaning that he had no idea. So here we sit.

Giving this information to IHS free of charge so they can sell it to their customers rubs me the wrong way a little, but on the up side, it is one way to get our information to potential producers. They do have a worldwide customer base. The Council will have a tough decision to make here.

I like the idea of a small contribution to the ONG's Foundation. It is used primarily to fund youth activities and to help feed children, and Osage preference is given. Only a Grinch could say no to this.

The phone poll done by Chairman Yates this week for travel to Washington was done well within the parameters of Cynthia Boone,s recent addition to the Policy and Procedures concerning phone polls. In fact, there are no parameters, directions, or rules now. Just pick up a phone and "call it in." It's exactly like she wanted it. But now, she wants more information. Next, much like her recent proposal on communications, I expect her to try to eliminate the Chairman from initiating a phone poll at all.

Ray McClain, Osage Shareholder