

Osage Minerals Council Meeting 9/13/2013

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Chairman Andrew Yates opened the meeting at 10:00 AM with a prayer by Councilman Myron Red Eagle.

BIA Acting Superintendent Rhonda Loftin told us that the BIA had reopened the applications for the permanent Superintendent position. A new permanent Deputy Superintendent has been hired now, but she won't be here for about 45 days. Her name is Jeannene Hale. Meanwhile, we will still have an Acting Deputy Supt. on duty until Ms. Hale arrives. Ms. Loftin said she intended to stay as long as necessary to help the "yet to be hired" permanent Superintendent get settled in.

Ms. Loftin then told us that BIA has recently added \$1 million to the budget for the Osage Agency. They intend to use this money for major improvements in accounting and enforcement, and to hire 5 or 6 more field men.

The Council then heard OST official Brian Ross, Spyglass Energy's Charles Wickstrom, and the representatives of Candy Creek Crusher in executive session.

Following intermission, Tom Thralls, Managing Member with Geo Power Partners, LLC, made his second appearance before the Minerals Council to explain a little more about their co-generation system which can utilize raw salt water as feed stock and can be fired using the gas containing H₂S. When burned properly, the H₂S will be neutralized, rendering the emissions relatively harmless. These systems will generate the much needed 3 phase electrical power at locations within the Mineral Estate where it is needed the most to bolster the current infrastructure. Several of the Council were again very interested and asked many questions. Mr. Thralls said he was asking the Council for a Resolution affirming the Council's interest in seeing this endeavor go forward. He said a formal resolution would be helpful to him as he prepared the necessary permits and set up the financing. He is not asking for any financial help from the Council. He is only asking their approval for him to start the pilot project. No decision on the resolution was made today.

Cynthia Boone said she would have a resolution next Wednesday concerning something she didn't like about the way open records requests were being handled. Attorney General Jeff Jones was sitting in the audience. Councilman Abbott asked him if the Minerals Council was subject to the ON open records rules. The AG said that in his opinion, yes, the MC must abide by those rules.

Ms. Boone then had a question on the agenda about the media committee's meetings being illegal according to the ON Meeting Law. When recognized by the Chair, Ms. Boone stated that she was withdrawing that subject, but she wanted to discuss something about the Neg-Reg meetings instead. Chairman Yates stated that the meeting rules according to Robert's Rules of Order say that the rules must be waived to allow a change. A motion to waive the rules was made and it failed by a 4 to 4 tie vote. Abbott, Crum, Yates, and Red Eagle voted no.

Ms. Boone then raised the question: "Is anyone going to give us a report on the South Dakota trip regarding the eagle issue?" Several on the Council advised her that she should ask that question of the Executive Office. No one from the Minerals Council went on that trip. The Asst. Chief went to S. Dakota, and as far as anyone knew, he was still out of town.

Chairman Yates said that there had been a problem with a phone poll vote to approve Resolution 2-189 asking the Osage Nation for financial help to fight the wind farm issue. He proposed Resolution #2-190 to ask the Osage Nation Congress for financial assistance with the attorney fees expended and due in the fight to stop the wind farms from coming into the County. Councilman Crum told us that there was not just one, but **three** separate wind farms proposed. Only one was currently on the front burner, but the others could be planning to move forward if this first one is allowed. Councilpersons Bear and Boone spoke out against asking the Nation for financial help. In an apparent effort to clearly understand their position, Councilman Abbott asked Councilman Bear: "Are you saying that you don't want financial help from the Nation to fight the wind farms?" Councilman Bear said "yes, that is correct." The Council then voted to rescind Res. 2-189. They then voted to approve Resolution 2-190. The vote was 5 yes(Abbott, Crum, Red Eagle, Yates, & Core) and 3 no(Bear, Boone, & Whitehorn.)

Then Cynthia Boone stated that no contributions for this year from oil producers have been received for the summit. On the agenda, she was asking: "Will our savings from last year be enough to carry us through to have a nice oil and gas summit this year?" Mary Johnson, the CEP representative and this year's Osage Oil and Gas Summit chairwoman, didn't seem to think there was a problem. She said that contributions were coming in about like they always had, and went on to mention several of the major producers responding, including at least one \$10,000 contribution. She said that the exhibitors were also anxious to be there to display their wares. She anticipates a great turnout again this year.

Councilman Core raised the issue of a raise for the staff to keep in line with the Nation's merit pay system. Councilman Crum said low wages was one of the reasons for the large turnover on the staff, and he would like to see the wages raised. He said that the high turnover rate caused a continual situation of having inexperienced people on the staff. This will be voted on next Wednesday.

Councilman Red Eagle said that the current staff is just about caught up now with the backlog of work on the revocable trusts.

In my opinion:

It took a while for them to get a plan together, but it looks like the BIA is starting to take some positive action on overhauling the Osage Agency. Getting the money is always the first problem that must be solved. The \$1 million isn't nearly enough, but it's a start, and it's a start in the right direction. With this sequester in effect, somebody had to dig deep into the BIA pockets to get anything. Accounting and enforcement of lease compliance is a good place to start, too. Also, by adding 6 or 7 field men, they will be better able to search out infractions and errors occurring in the field, and to monitor problem areas. This is very likely the result of the bi-annual meetings between the BIA and the MC to identify specific areas needing improvement. These meetings will continue to be very fruitful, and are one of the never-ending benefits of the HPP Settlement that was negotiated. Hopefully, the next million will come

soon, and they can start looking for some geologists and reservoir engineers and start beefing up the staff in the permitting department and other places. It would also be a huge help to get a solicitor back in Pawhuska.

I spoke with Tom Thralls briefly after the meeting, and it sounds like the first co-gen plant is going to become a reality. They are considering 3 different locations for the co-gen plants. The first will be in the western part of the county, at a location where the currently unmarketable H₂S gas is plentiful. Generating electricity with this gas that cannot otherwise be sold, in an area where 3 phase electrical infrastructure is not always adequate, and using salt water for feed stock, seems like a great idea to me. Lord knows, we've got plenty of salt water, everywhere. He told me that the co-gens will be manned 24 hours a day to help ensure that no unacceptable emissions occur. If this pilot project works as well as advertised, we could see dozens of them around the county in the future.

Cynthia Boone had a laundry list of problems this time. First, she thought something was wrong with the way the open records laws read, but she offered no solutions. Then, as per the agenda, she had a problem with something to do with the way the Council's media committee was set up, but then she decided to withdraw that subject and wanted to start talking about Neg-Reg. When the Council wouldn't allow waiving the meeting rules for that to happen, she wanted to hear a report on a trip to South Dakota that no one on the Council had taken. Then later, she made a statement saying, in effect, that this year's Osage Oil and Gas Summit was falling on its face because the Producers were not participating. The O & G Summit Chairwoman quickly set her straight by telling us that the Producers were on board, reservations were being made, and the Summit was 100% on schedule.

It's been 3 weeks since the last Council meeting. I guess it took that long for this many issues to accumulate for Ms. Boone, but I was beginning to think it was going to take that long to get the issues resolved. Actually, it did waste at least 30 minutes of the Council's time to slog through her problems. This is not progress. This is the petty aggravation that bogs down progress at nearly every meeting. I think the intent this time may have been to divert further attention to the Washington trip and the storage locker debacle. I guess it worked. I didn't hear any mention of those issues at this meeting.

Several months ago, some of Congress indicated that they might be willing to help finance the fight against the wind farms, if the MC would make a formal request for help. The Minerals Council has spent nearly \$300,000 already on attorney fees for fighting the wind farms, and something like \$58,000 is currently due and payable. The executive branch has already been very active in this effort to stop the wind farms. For some reason, Curtis Bear, Cynthia Boone, and Dudley Whitehorn don't want any help from the Nation. Curtis says he wants the Shareholders to carry the whole load. This could run into another several hundred thousand dollars, and like Sonny Abbott said last month, any help at all would be appreciated.

The entire Osage Nation is affected by these wind mill monstrosities. They will have a detrimental effect on current and future development of the Mineral Estate. Stray electricity in the ground coming from their buried high voltage cables can corrode anything made of steel, like well casing and high pressure pipelines, and they will limit and restrict construction of lease roads and pipelines. Culturally, they will kill our Eagles, and they will be located in and near historic burial grounds and camp sites. Aesthetically, they will be an eyesore to the entire region and highly visible, scattered all along State Hwy 60. Now we find out that a County Commissioner has sold an easement to his property for the development of wind farms. This puts "green is good" in a whole new perspective. It just depends on who gets the "green." I wonder how he will vote on County permitting for this issue? That would be the easiest place to stop further development. I wonder why they picked his place?

The Minerals Council has taken the lead on fighting the wind farms, but if they can get Congress and the Executive Department to chip in with some financial assistance, that would be great. The Shareholders shouldn't need to shoulder the entire load. Every Osage has a stake in this issue.

As for the co-gen proposal, I see a lot of good things that can happen here. I encourage the Council to pass this resolution as soon as possible, and let this man get on with the project. There's no need to bog this down in politics. If it works, everyone wins. If it doesn't, we have risked nothing. This is an opportunity for progress. This should be a 8 to 0 vote YES, and it should happen next Wednesday.

Cynthia Boone's statement that the Producers were not supporting the Osage Oil and Gas Summit was astonishing. It's a good thing that Mrs. Johnson was there with the facts, which evidenced just the opposite. If a Producer really was wanting to sell out, the O&G Summit is an excellent place to let it be known. Non-support by the Producers for this event would be counterproductive to anyone except those hell-bent on making bad things happen. Know anyone like that?

Councilman Core's notice that a pay raise is in the works for the MC staff was another sign of progress. The Minerals Council staff should be paid a salary for their job that is unequalled anywhere on that hill. They must be dedicated professionals at what they do. Unlike working for the ONG, the MC staff does not have supervisors looking over their shoulders 8 hours a day telling them what to do and how to do it, and then checking for errors. These people must be highly motivated self-starters who, once trained, are willing to get the many different jobs done that are required of them. At least one of the Council tries to be there most of the time, and that's usually Myron Red Eagle or Mel Core. Both Myron and Mel usually know what needs to be done, but I'd bet that neither of them would tell you that they know **how** to do everything that needs to be done or how long it should take to do each thing. That's why we need professionals and they need to be paid professional wages. I don't care how dedicated an individual is, in the end, it's the money that motivates. If someone can make 50% or 60% more working somewhere else, doing the same type work, why wouldn't they leave. They have families to clothe and feed, and all the other associated costs, just like the rest of us.

Each time one leaves, the round-robin starts all over again. First, they must find a replacement, and then they must be trained. Only then will the Council and the Shareholders finally begin to start getting their money's worth again. I suggest they hire qualified help, pay them well, and treat them well. An experienced and dedicated staff is critical to the operations of the Osage Minerals Council.

Ray McClain, Osage Shareholder