

Osage Minerals Council Meeting September 19, 2012

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The Osage Minerals Council meeting today started out pretty interesting, and then got a little more interesting as the day progressed. After the customary opening and prayer, the Tribal Accountant's report, and the Auditor's report, there were several questions by the Council directed to the auditor and to the BIA Supervisory Petroleum Engineer as to why the production averaged about 700 bbl per day lower for the month (August 2012). Neither had a reason that they were comfortable with, but the SPE suggested that some of the producers may have been speculating a little by holding back on their sale of oil due to the lower oil prices in June, July and August. He has been there for many years and he said that he has seen this happen before. Most of the producers have some extra storage space available and if that is what has happened, that oil should hit the market this month, along with the normal production for the month. Oil went back to over \$90 on August 16, reached \$95.50 on Sept 17, and was sitting at \$91.75 today. On June 22, 2012, the low for this year so far was \$74.75. It seems quite likely that his theory might be correct, and if it is, we will make the same gain on the higher prices that the producers will make. Just be glad it didn't keep going down.

Following the BIA Superintendent's report, Nona Roach gave a very detailed report on the difficulty she had been having getting drilling permits for her clients. For several years now, Ms Roach has operated a business assisting producers with acquiring drilling permits for oil and/or gas wells in Osage and other counties. She is also available to assist them in other areas when necessary. She wasn't real happy with the time it is taking to obtain drilling permits here in the Osage. Apparently, the other 76 counties in Oklahoma use the Oklahoma Corporation Commission to oversee permitting oil and gas wells. She said that a producer, armed with the proper credentials, copies of leases and other documents, and about \$100, can get a permit from the OCC in as little as 1 day. Since the Osage Minerals Estate is held in a Federal Trust for the Tribe, the Bureau of Indian Affairs is responsible for permitting here. She said that the BIA tells all applicants that they should get a permit within 60 days, but that it rarely happens within 60 days, and it has taken her as long as 111 days in one instance. She also expressed much concern that the temporary transfer of one experienced employee away from the permitting department may cause a serious problem to get even worse. When finished, she received a round of applause, something rarely seen at a Minerals Council meeting.

The Council then went into executive session to consider business with Cardinal River Energy and Orion Exploration. Upon return, they voted to approve the business transacted which included a 45 day extension of time to begin drilling for Cardinal River.

Corrections to the August meeting minutes were noted.

Councilman Red Eagle told the meeting that, due to some legal concerns, he would wait until next month to ask for a vote to release the production history data for dissemination on-line.

Councilwoman Boone presented more Policy and Procedures for running the office. They were passed. She then presented some Policy and Procedures for travel and expenses. After discussion, they were passed. She then presented some Policy and Procedures for Minerals Council elections which included changing the Oath of Office. After much more discussion, these were rejected. There was much discussion from both the Council and from the audience about changing the Oath of Office.

Councilman Core made a motion to give the Council a 3% cost of living raise. The motion passed with 6 yes, 1 no, and one abstention. A vote for a years end bonus for the MC staff was postponed until next month.

Councilman Abbott made a motion to approve the FY2013 budget. FY2013 begins on Oct. 1, 2012. He advised the Council that this budget included the MC pay raise and it needed to be passed and submitted to the BIA for approval ASAP. He further advised that if the bonus for the staff is approved next month, the budget would then need to be amended. Ms Currey concurred and told him that would be no problem. The meeting was adjourned at about 2:30 PM.

Except for the deals with Cardinal River and Orion, the Council didn't make us much money today, but they did get a lot of house keeping chores caught up for awhile. Maybe next month, they'll have something really good cooking again.

Ray McClain, Osage Shareholder