

The data conversion project and its importance

Records or “logs” of oil wells as they were being drilled in the Osage have been kept in one form or another since the late 1800’s. One early method used was to write the information, in pencil, on a flat board about the size of a large kitchen cutting board, thus the term “log.” This board was carefully laid out in columns and rows, and the columns were labeled to define the data entered. Dates and depths and any problems encountered were carefully recorded by the drillers as the hole progressed. The top and bottom depths of producing zones were noted as identified by the geologist. Sometimes, it took several of these boards to completely log just one well. These logs were invaluable to producers when drilling more wells in the vicinity and the board itself was a very durable media. They would last indefinitely if taken care of properly.

One would think that technology in the oil exploration industry has evolved far beyond the “log boards” of 100 years ago. It has, but, **we have not**. Not much anyway. The Osage Tribal Council, and now the Osage Minerals Council, has never made much of an effort to make the huge amount of drilling and production information, currently sequestered in mostly manual files at the Pawhuska BIA office, available to potential producers in an easy to use, universal digital format. Please don’t misunderstand, it has always been available, but even today, getting it normally involves geologists, engineers, land men, and lawyers making several trips to Pawhuska to plow through stacks and stacks of manual records, making photocopies of each item needed, and then replacing the original item where it came from. And this assumes that the appropriate BIA personnel are even there that day to guide them to the proper stack. This information is crucial to the decision making processes of any drilling program. The producers have been complaining about this archaic procedure for years, but not much has been done.

The BIA says that they do not have adequate personnel or funding to update the system. I can believe that. They didn't even have Email capability until just a few years ago.

The 1st Minerals Council recognized the problem early on in their term of office and began to address the issue. In September of 2008, a resolution was made to support the ONG's Environmental and Natural Resources Department's efforts to establish a database that could be used to properly display this information. ENR's primary interest was to have the ability to locate each salt water disposal well and all production wells, tank batteries, and other potential environmental hazards, using a Geographical Information System (GIS), as mandated by the Federal EPA. ENR was recommending a database that not only had that capability, it could also store and display virtually all of the non-proprietary information concerning the drilling and production history of each and every lease or well ever drilled in the county, said history now currently in the custody of the BIA.

The 1st Minerals Council was a key player in the acquisition of a Federal grant of \$34,000 for ENR to use to purchase the database, including the necessary computers, software, printers and other ancillary equipment, and the training to get it all up and running. ENR got the mapping started and they have a lot of it in place now, and they are continually updating and adding information as it becomes available.

A part of the information required pertains to the permitting of each new well by the BIA. The ENR department has always suffered from a shortage of funding for adequate personnel to take care of all they are responsible to keep up with. As a consequence, they have become bogged down in their efforts to enter the data from these permit applications. Apparently, they are currently behind by a count of several hundred. Fortunately, so far the permits are being processed in a

timely manner, therefore the drilling can proceed. It's just the entry of these records into the database that is back logged.

The system was in place and ready for data entry by mid 2009. The First Minerals Council, no doubt taking the advice of the producers, determined that the production history of the Minerals Estate would be the most useful information readily at hand. After being assured that the BIA had this information in digital form, several months were spent just waiting for the BIA to get the information to the MC. Upon receipt, it was immediately discovered that although the information was in "digital form", it was not in a format compatible for use in a database. It seems that the manual records kept by the BIA since they started keeping records (the earliest found was 1916) had been entered by hand writing the data onto 4" X 7" index cards, which was about all they could do in 1916. The records were kept in this fashion until about 1980. The "digitizing" the BIA had been talking about was to do a computer scan of each of the thousands upon thousands of index cards. Probably at least half of the cards had been filled out by hand with pen or even pencil, making some very hard to read. This made the information not so "readily at hand" as first thought.

Not to be thwarted by this little set back, the 1st MC created a position known as a "minerals technician" and hired one person to fill this post. The initial primary task assigned to the minerals technician was to enter the total annual production of each of the many thousands of leases, as represented on the scanned index cards, into an Excel spread sheet, whereby it might be electronically transferred to a database. This was a formidable task, but the minerals tech had it done in a little over a year.

This data has been ready for inclusion into the database for about six months now, but they still have several problems to deal with. The 1st MC never formally approved the release of the information, probably because the "conversion" of the data from hand writing to a useable, digital format was not

complete at the end of MC1's term of office. So far, MC 2 has not released the information either. They have cussed and discussed the issue ever since the minerals technician completed the conversion. A small hurdle to jump was the anticipated cost to proceed. That was resolved by approving a maximum of \$10,000 for equipment. A computer was purchased and is now installed and being used.

Then the MC passed a provisional resolution, effective on a month to month basis, allowing the minerals technician to work at the ENR office 2 or 3 days a week to be trained to use the database. The first task assigned was entry of the back log of permit applications. This seems to be going well so far, and it gives the minerals technician an opportunity to become familiar with using this database.

Now, we come to a major point of contention. All but one or two of the Council seem to want the project to go forward, but there is an issue about who will own the information, what information, if any, may be considered to be proprietary, and a Memorandum of Understanding between the parties involved, defining the expectations and responsibilities of each.

Ownership of the database or the data therein should not be a problem at all. The database will still be owned by the Osage Nation's ENR department, but now with unrestricted access by the Minerals Council and the public (shareholders and producers). The data will still be owned by the Minerals Estate and will remain in the physical custody of the BIA, but that data, as designated by the Minerals Council, will be duplicated electronically and shared, via this database, with the public. Nothing is proprietary or secret about it and it never has been. Any producer who ever wanted to spend the time and money to get this information, has always been welcome to it. Once the data is loaded into the database, should some producer still want to go to Pawhuska and dig around in the annals of the BIA for information that would be readily available on his own

desk top computer, he would certainly be welcome to do so. However, I doubt that many would avail themselves of that unique opportunity.

Should these problems solve themselves, as they could (or at least should), that leaves the problem of the MOU. A formal MOU can be sometimes be a bit difficult between 2 individuals, even when they agree on the issues. Here, four basically separate entities must agree with what each of the others want. This will no doubt be a little dicey under the best of circumstances.

On one hand we have the Osage Minerals Council, who says they need the MOU to proceed with data entry. That is probably a wise decision, since they will be financing the data entry operation and the primary result is intended to benefit the Shareholders by promoting exploitation of the Minerals Estate to an infinitely larger customer base.

Then there is the ENR, an agency of the Osage Nation, who owns and maintains the database and who will no doubt benefit to some degree by use of the data to satisfy their mandates by the Federal EPA and who also very likely may be involved in the issuance of drilling permits.

Then there is the BIA, the current custodian of the data. They must agree to assist in the efficient transfer of this massive collection of information.

Last, but not least, we have the Executive office. It is reported that the Chief wants this project to go forward. I can't imagine him having a problem with it but, he has made no public statement to that effect that I am aware of. Also **BUT**, he is being sued by the Minerals Council on another matter. As I have stated in the past, this action will very likely bring ALL communication between the Chief and Minerals to a screeching halt. The only possible losers in a situation like this is us, the Shareholders.

Let's hope that it doesn't work out that way. The only way I know of to find out is to keep trying. At each of the last 5 or 6 Council meetings, someone has

inevitably brought up the issue of the MOU. Most everyone seems to agree that one is needed, then someone moves for adjournment, and they all go home.

I sometimes wonder if the Council realizes that this data is not going to be entered overnight. It will probably take several years to get it all done with only one minerals technician. We will have concessions expiring before then, and thousands of acres could potentially become available for lease. The more people that know about the Osage, the better the competition will be at lease sales. One of the largest of the Canadian producers is already here, and they are drilling right now. They have paid a historical amount of money as a bonus, and have committed to drill a huge number of wells, most of them horizontal. No telling what we could have got in those and other negotiations if only the rest of the world had known what we have here.

The Data Conversion Project is potentially a world wide marketing effort that can also be taken advantage of and utilized by those already here, including the smallest of our older, long time producers. If this database could be proven to result in just one 200 bbl well, who ever might drill it, our 20% will be nearly \$100,000 in 1 month at current oil prices. Makes that \$10,000 for computer equipment seem rather paltry, don't it?

There are a lot of venture capitalists out there with tons of money, looking for investments returning 8% to 10%. Do you think they might be interested in a 20% to 30% or more **annual** return over the 20 year estimated life span of an oil well in the Osage? Very likely!! If only they knew!!

Hopefully, you Shareholders will contact the Minerals Council and ask them to get off of high-center and either get the ball rolling again on this "Data Conversion Project", or table it indefinitely and get on with some of the other business they must think is more important. There is no reason for this simple decision to be thrashed about for another 4 or 5 years.

Ray McClain, Osage Shareholder