

Negotiated Rulemaking Committee Meeting

Oct 22, 2012

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This meeting opened on schedule with a beautiful prayer by the MC/Osage Nation liaison man Everett Waller. After a few general house-keeping chores were taken care of, extensive reports were given by MC members Curtis Bear and Dudley Whitehorn and by Steve Manydeeds from the BLM on the IT system used by the BLM in an oil and gas field operation located on an Indian Reservation near Wind River, Wyoming. This oil and gas field is approximately the same size in acres as our Minerals Estate, but after hearing these reports, it sounds to me like that's where the similarity ends. This Wind River installation was established many years ago and has been maintained and upgraded throughout the years by the BLM and apparently is a model of efficiency. Coincidentally, liaison man Waller helped train the BLM field personnel who initially worked at Wind River. He was working for the Pawhuska BIA at the time and was in charge of all field personnel here.

I think the NRC may be considering recommending this system as a model for setting up an IT system at Pawhuska that will finally begin to truly monitor ALL production activity in the Osage and maybe give the Shareholders the accountability that we have been sorely lacking for so long from the BIA. The entire committee seems to all be pulling in the same direction on this, and I have not heard even one of them mention anything that is currently being done right concerning production accountability in the Osage.

Upon completion of the reports, the meeting was opened for comments by the public. A couple of Shareholders had statements to make, and 4 or 5 producers or their representatives had comments, but most comments were concerning the committee's ongoing consideration of asking for the NYMEX price for our royalty barrels. The producers are very worried about this and virtually all of them are objecting. There is still much to think about on this issue.

After lunch, new language concerning drilling and production obligations and adjustments to the mechanics of calculating the gas index price was discussed.

Minerals Council Chairman Galen Crum and BLM gas expert Jim Stockbridge reported on a field trip taken by them and some of the others on the committee to look over two "point of sale" gas installations here in the Osage. The purpose of the field trip was to educate the entire committee on

achieving better production accountability from our producers. No specific details were given concerning the compliance of these installations visited.

The meeting was again opened for comments from the public. Several small independent producers voiced their concern over discussion of terminating leases for lack of production. They worried that 2 and 3 barrel stripper leases might become classified as non-productive, thus causing termination. They were assured by those from the Minerals Council that this was not the intent, and basically, that as long as they stayed within the established regulations, these stripper leases will always be an integral part of the Osage Minerals Estate.

Even I had a few comments for them:

Comments for NRC Meeting Oct. 22, 2012

Ray McClain, Osage Shareholder

All the changes necessary to get the Pawhuska BIA/Osage Agency up to speed are going to cost many millions of dollars. The Osage Shareholders, through our Osage Minerals Council members who were a part of the Highest Posted Price Trust Team, agreed to a \$380 million dollar cash settlement, **PLUS** doing all the things necessary to get the Agency up to speed and into the 21st century. We got the cash. We can see the gears of negotiation beginning to turn, and we expect the improvements to start happening soon. We will never know how much cash we left on the table, and we can only hope that we made the right decision. We hope that we will not be disappointed.

Is there an estimate yet on how much this is actually expected to cost in dollars for equipment and software and input of existing historical data?

Is there an estimate yet on how many additional dollars will be allotted **annually** for a **permanent increase** in the number of qualified personnel to monitor and maintain the system efficiently? If a new system is put in place, and then is not continually updated as new information becomes available, we will very quickly be right back in the same old ruts of unaccountability we have been forced to live with for way too many years already.

As an Osage Shareholder, I would hope the BIA could soon reaffirm to us that they intend to honor their commitment made at settlement, and are prepared to provide the funding and the expertise needed to implement the necessary improvements.

All the business scheduled for Oct. 23 was completed today therefore, the meeting for the 23rd was cancelled. This meeting adjourned about 3:30 PM

Ray McClain, Osage Shareholder