

Explanation of NEPA, EA's, and EIS's.

<http://www.Osages-You-Need-To-Know.com>

April 30, 2015

At long last, the BIA has completed and issued what they call a 'Programmatic Environmental Assessment Template' for performing work-over operations, leasing, and drilling in Osage County, OK. As I understand it, when a Producer completes this form, and includes the various other permits required, he will be allowed to proceed in the normal fashion as before. Councilman Crum has agreed to try to help us Shareholders understand the permitting procedure a little better by authoring the following dissertation:

NEPA, the National Environmental Policy Act, requires all federal agencies to consider the environmental impacts of proposed actions and reasonable alternatives to those actions. Two common ways they accommodate this requirement are to complete an environmental assessment (EA) for each individual proposed action or develop a programmatic EA that will cover all instances of that particular action in their jurisdiction. The second method takes more time and effort to accomplish, but saves tons of time and work for all parties involved once it is in place. All future instances of that particular action can then be considered as being NEPA compliant unless some truly unique situation exists.

The Osage agency has been granting leases, workover permits and drilling permits by using a programmatic EA conducted in 1979 as the primary basis for NEPA compliance. As we all know they, as well as most of our producers, were sued in federal court by some surface owners claiming that the "79" EA is inadequate. The BIA had already been working on conducting a programmatic EIS (Environmental Impact Statement) that is roughly the same thing as an EA but more in depth and thus more unassailable in court, but an EIS normally takes years to complete.

Rightly or wrongly the BIA decided late last summer to immediately start upgrading their NEPA compliance measures. Each lease issued, each drilling permit and each workover permit would require a separate EA until programmatic assessments could be developed. This of course brought everything grinding to a halt because neither the majority of producers nor the BIA had the necessary resources to complete individual assessments on each requested lease or permit in a timely fashion.

The BIA completed the programmatic EA for granting leases in January and one for workovers was posted for the mandatory 30 day comment period April 28th. The last part of March drilling permits for ten wells were issued to Performance Energy using an EA that was developed by them and the BIA with the intent that it could also be used by other producers as a template for submitting their own drilling applications. Only site specific data needs to be added. It has been distributed and posted online for their use.

Performance Energy has already drilled most of their newly permitted wells and other drilling permits have been issued. All leases that were being held up have been issued and new ones will continue to be granted using the leasing programmatic EA. (about ten new leases were negotiated with producers by the MC this month). All requested workover permits should be going out the door soon using the new workover EA.

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So for most practical purposes we are almost back to where we started when it comes to issuing permits and leases, except that they are now being issued with fresh new NEPA assessments. The new Programmatic EIS was put on the fast track and the contractor is required to complete the work by December 2015. This, combined with the newly completed EA's, will again provide the BIA with county wide blanket coverage regarding most NEPA compliance. This should put us on very solid legal ground when it comes to environmental questions.

All this took way too much time and most would agree that it was handled very poorly, but it would appear that we have about weathered the storm. Luckily our production has remained nearly steady, which is remarkable considering that both the price of oil and gas was cut by more than half during this same time period.

Galen Crum, Osage Minerals Council Member
April 30, 2015



IN REPLY REFER TO:

United States Department of the Interior
BUREAU OF INDIAN AFFAIRS
EASTERN OKLAHOMA REGION
OSAGE AGENCY
POST OFFICE BOX 1539
PAWHUSKA, OKLAHOMA 74056-1539



Branch of Enforcement and Lease Compliance

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April 28, 2015

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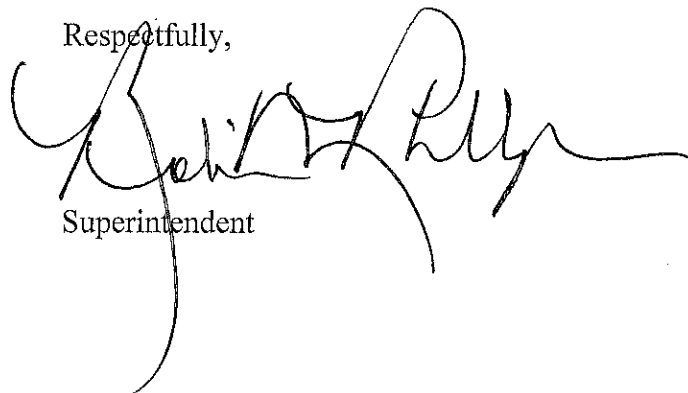
Everett Waller, Chairman
Osage Nation Minerals Council
P.O. Box 779
Pawhuska, OK 74056

Dear Chairman Waller:

The Bureau of Indian Affairs (BIA), Osage Agency, has approved the Programmatic Environmental Assessment (PEA) concerning the approval of oil and gas workover operations in Osage County, Oklahoma, on April 28, 2015. In accordance with Title 40, Code of Federal Regulations, Part 1506.6, Regulations for Implementing the Procedural Provisions of the National Environmental Policy Act, please post the enclosed Notice of Availability and Decision Record at your office until May 28, 2015.

If additional assistance is required, please contact Mr. Benjamin Daniels, Environmental Protection Specialist, Osage Agency, at (918) 287-5700.

Respectfully,



Superintendent

Enclosure(s)



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United States Department of the Interior
BUREAU OF INDIAN AFFAIRS
EASTERN OKLAHOMA REGION
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UNITED STATES DEPARTMENT OF THE INTERIOR

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AGENCY: BUREAU OF INDIAN AFFAIRS, OSAGE AGENCY

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ACTION: NOTICE OF AVAILABILITY

Osage Minerals Council

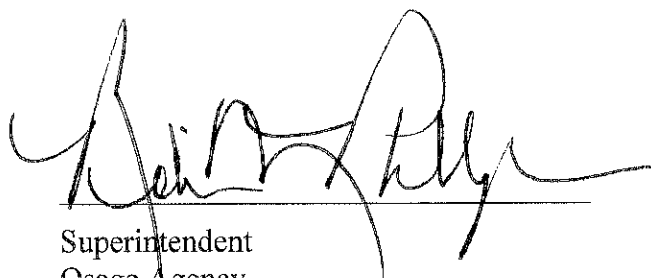
SUMMARY: This Notice is furnished to advise the public of the availability of documents and inform those persons and agencies who may be interested or affected. Documents available include the final Programmatic Environmental Assessment (PEA) Approving Workover Operations in Osage County, OK, a Finding of No Significant Impact (FONSI) for the PEA, and a Decision Record (DR).

Based on the PEA and other information available to the Agency, it has been determined that the BIA's Proposed Action Alternative (to approve certain oil and gas workover operations for the Osage Mineral Estate) will not result in significant impacts to the quality of the human environment and that therefore an Environmental Impact Statement is not required.

As detailed in the DR, and within 30 days of the date of this Notice, you have the right to appeal to the Regional Director, Bureau of Indian Affairs, Eastern Oklahoma Region, in accordance with regulations found at 25 C.F.R. Part 2.

FOR FURTHER INFORMATION CONTACT: Individuals wishing copies of the PEA, FONSI, DR, or other documents should contact Mr. Benjamin Daniels, Environmental Protection Specialist, Bureau of Indian Affairs, at (918) 287-5700.

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Superintendent
Osage Agency
Eastern Oklahoma Region
Bureau of Indian Affairs
U.S. Department of the Interior

APR 28 2015

Date



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**DECISION RECORD
FOR
Programmatic Environmental Assessment
For Approving Workover Operations in
Osage County, Oklahoma**

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DECISION: It is my decision to adopt the Proposed Action Alternative (to approve workover operations for the Osage Mineral Estate) as described in the Programmatic Environmental Assessment for Approving Workover Operations (Workover PEA). I have made a Finding of No Significant Impact (FONSI) for the Workover PEA based upon the analysis in the PEA, including the mitigation of impacts and the described best management practices (BMPs), conditions of approval (COAs), and monitoring.

This approval requires the Lessee/Operator to submit Form 139 to BIA and the operator's compliance with the conditions listed in the Decision Record (DR), PEA and in Attachment A to Form No. 139. Receipt of the attached Form 139 provides the operator's acceptance of the conditions listed in the DR, PEA/FONSI and Attachment A to Form No. 139.

Operator/Lessee Committed Mitigation Measures:

The following requirements or mitigation measures identified in the PEA and found in Attachment A for Form No. 139:

General Requirements

All lessees must comply with the requirements of 25 CFR 226, including but not limited to:

- § 226.22 Prohibition of Pollution.
- § 226.19 Use of Surface Lands – Lessee must conduct operations in a workmanlike manner, commit no waste and not create any unavoidable nuisance on the premises under his/her control.

Workover operations must be contained to the historic well pad in order to minimize impacts to the affected environment. This must be documented through the submission to the Osage Agency of photographs taken before the proposed activities commence and after activities have ceased.

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For each workover operation a minimum of seven (7) dated photographs must be submitted as supporting documentation with the Form 139 in order to depict the existing condition of the well pad and existing facilities as described below.

- 1 photo of the well sign
- 1 photo of the well head (well bore/pumping unit location)
- 1 photo of the lease road, showing ingress and egress to the proposed workover location
- 4 photos taken in the following manner: stand at the center of the well pad and take 1 photo facing each direction (North, East, South and West)

All lessees must comply with, and obtain any necessary permits or authorizations required under the federal Clean Water Act, Clean Air Act, Safe Drinking Water Act, Endangered Species Act and other applicable federal laws.

In addition, the following standard BIA Osage Agency Best Management Practices (BMPs), known as "Attachment A", shall apply, unless the Superintendent has given prior written approval of either 1) an exemption to a specific standard BIA Osage Agency BMP, and 2) an equivalent set of BMPs developed by the Lessee and incorporated as conditions of approval for the workover operation.

Standard BMPs

The following BMPs shall be followed by lessees, their agents, operators, and contractors:

- Avoid impacts to National Register-eligible or unevaluated cultural resources on well sites and access roads. If cultural resources are discovered during construction or operation, stop work immediately, secure the affected site, and notify the BIA and Tribal Historic Preservation Officer. In the event of a discovery, work in that area shall halt and not resume until written authorization to proceed has been received from the BIA. All surface disturbances must be kept within the confines of the historic well pad described in the permit application package. Expansion or relocation of the well pads, access roads, or other implementation of additional activities outside of the permitted area is prohibited unless an appropriate cultural resources survey has been submitted and determined adequate, approved by the BIA Osage Agency and all appropriate permits have been obtained.
- Avoid or minimize soil and vegetation disturbance. Avoid removal of or damage to trees, shrubs, and groundcover to the extent possible. Avoid or minimize alteration of the natural topography, and limit activities on steep slopes.
- Erosion control measures are required for the duration of all implementation phases of the proposed project. Erosion control measures must effectively minimize the movement of soil, debris or contaminants from the project site to adjacent lands and waterways.

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- All vehicles and equipment must utilize and stay confined to existing roads described in the approved EA. These roads must be maintained and upgraded as needed according to BIA direction and agreements between the operator and surface owners.
- Tank batteries must have a Spill Prevention and Control and Countermeasure Plan (SPCC) in compliance with EPA Regulations under 40 CFR Part 112. A fluid impermeable secondary containment dike/berm must be constructed around any tank battery and facilities according to 40 CFR 112.7. The dike/berm and entire containment area must be graveled. No water collected within the secondary containment shall be discharged. In accordance with the SPCC plan and the BIA regulations, the Lessee will immediately notify the BIA of all spill incidents.
- No venting or flaring of gas is allowed unless prior written approval of the BIA Osage Agency Superintendent has been obtained.
- Store and label chemicals properly (including secondary containment). Do not store equipment or chemicals onsite if they are not being used on site. Do not leave open containers of chemicals or wastes on site.
- Keep sites clean and free of any litter, trash, old equipment, contaminated soil or unused containers. Promptly dispose of any wastes at appropriate recycling facility, approved landfill or other approved location. Remove any unused equipment not necessary to the operation of the lease after drilling activities have been completed.
- All production equipment, facilities and tanks including well-head and above-ground piping/equipment shall be properly enclosed to exclude livestock if present.
- All pits (including tank batteries contained within a dike/berm) must be enclosed with a fence of at least four strands of barbed wire, or approved substitute. All earthen pits to be used for storage of salt water or other deleterious substances must be lined with an impermeable layer to prevent contamination of soils and groundwater. Temporary pits must be filled and leveled immediately upon completion of the activity.
- To the extent possible, minimize disturbance to land owners, wildlife, and natural resources due to noise, excessive traffic, dust or other impacts associated with operations.
- Do not conduct activities within stream channels or wetlands without proper authorization, and avoid any discharge of soil or contaminants or removal of stream water that could result in a violation of applicable federally-approved water quality standards.

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- Restore disturbed areas by re-establishing vegetation using seed, sod or other approved method, and add clean soil to disturbed areas if necessary. Restore with native species unless otherwise directed by the surface owner in writing and approved by the BIA. No noxious or invasive species may be used in revegetation and reclamation activities.
- Upon conclusion of workover operations all areas of the surface disturbance (i.e. well pad, access road, pipeline, etc.) shall be promptly reclaimed as described in the permit and approved Programmatic EA for workover operations. After a well is no longer in production, reclamation of the site will begin promptly. Reclamation shall be completed not later than ninety (90) days from rig removal, well abandonment, conclusion of workover operations or final plugging of a well, unless otherwise approved by the BIA.
- The lessee shall conduct activities in a manner that avoids any potential incidental take or harm to federally-listed threatened and endangered species, or in a manner that complies with any permit or authorization issued by the U.S. Fish and Wildlife Service (USFWS).

Lessee must follow guidance in the USFWS "Oklahoma Ecological Services Field Office Migratory Bird and Eagle Impact Avoidance Measures for Actions Associated with Oil and Gas Projects (April 2014), found at the following website: http://www.fws.gov/southwest/es/oklahoma/documents/abb/abb_icp/migbird%20and%20eagle%20avoidance%20measures%20april2014.pdf

- Lessee must follow USFWS established protocol regarding areas where the American burying beetle (ABB) is known or suspected to exist. See <http://www.fws.gov/southwest/es/oklahoma/ABBICP.htm>. If proposed operations require the construction of a drilling pit or other excavation activity by heavy equipment, then the lessee must ensure that suitable habitat for the ABB does not exist. If proposed operations will impact suitable habitat for the ABB, it will be the responsibility of the lessee to obtain authorization from the USFWS to proceed with that portion of the project.
- Approval must be obtained from the Environmental Protection Agency prior to the commencement of workover operations related to underground injection, construction or conversion of saltwater injection/disposal wells.

AUTHORITY: 25 CFR 226.16

RATIONALE: The decision to authorize the proposed action will not result in any undue or unnecessary environmental degradation. The Lessee/Operator has the right to develop their existing lease provided no significant adverse or irreversible impacts occur to critical resources. BIA selected mitigation measures from the alternatives analyzed in the PEA that would best meet the purpose and need, and is requiring BMPs, COAs, mitigating measures to alleviate environmental impacts.

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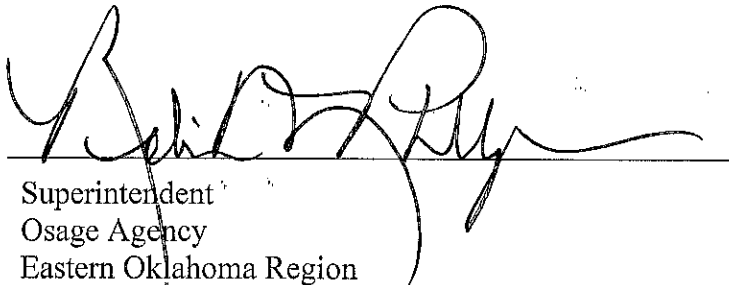
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ADMINISTRATIVE REVIEW AND APPEAL: This decision may be appealed to the Regional Director, Bureau of Indian Affairs, Eastern Oklahoma Regional Office in accordance with the regulations set forth under 25 CFR Part 2. Your notice of appeal must be filed in this office within 30 days of the date of the Notice of Availability of this decision. The date of filing your notice of appeal is the date it is postmarked or date it is personally delivered to this office. Your notice of appeal should clearly identify the decision being appealed. If possible, attach a copy of the decision. The notice and the envelope in which it is mailed should be clearly labeled "Notice of Appeal". Your notice of the appeal must list the names and addresses of the interested parties known to you and must certify that you have sent copies of the notice to these parties. You must also send a copy of the notice of appeal to the Regional Director, Bureau of Indian Affairs, Eastern Oklahoma Region, P.O. Box 8002, Muskogee, Oklahoma 74402-8002. If you are not represented by an attorney, you may request assistance from this office in the preparation of your appeal. If the appeal is not timely filed, this decision will become final for the Department of the Interior at the expiration of the 30-day appeal period. No extension of time can be granted for filing the notice of appeal.



Superintendent
Osage Agency
Eastern Oklahoma Region
Bureau of Indian Affairs
U.S. Department of the Interior

APR 28 2015

Date