

# Osage Minerals Council Meeting 8/15/2014

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8/16/2014

The meeting was opened today at 10:04 AM by Council Chairman Everett Waller. Prayer was given by Councilman Talee Redcorn.

BIA Supervisory Petroleum Engineer Charles Hurlburt told us that the Halcon Concession had been terminated for failure to drill wells agreed to in the agreement. This was a 45,000 acre concession, of which 14,000 acres were leased. Those leases not held by production, plus the remaining concession acreage will be available for the February 2015 lease sale.

He also told us that over 200 permit requests had been received in the last 2 weeks and 22 had been approved so far. Most were workover permits, but there were several drilling permits. Further, he told us that Clear Mountain Energy had defaulted on a \$1.6 million payment due July 31 on their buyout of the Encana concession. [The producing leases that were a part of that concession have been purchased by Iron Hawk Production, and are currently pumping oil.]

Responding to an issue raised by Councilman Crum, we were told that; of the approximately 60 leases advertised as available for the September lease sale and then subsequently nominated by prospective purchasers, about 40 of them had been withdrawn by the BIA because they were not actually available for various reasons.

Osage Agency Superintendent Robin Phillips told us that the BIA is going to start watching closer for the non-producing leases. She also told us that the BIA was advertising for 6 more new positions.

An issue concerning the State of Oklahoma properly returning the gross production taxes back to the county was raised. Chairman Waller said that they would be following up on this. He also told the Council that he would be expecting committee chairs to be elected and reports from each committee forthwith.

Chairman Waller then told us that the new head of the Office of the Special Trustee for Indians Vince Logan (Osage) was scheduling a visit here in late September to explain the Cobell Settlement. They hope to hold a reception in his honor. The date and time will be announced soon.

The meeting adjourned at 1:45 PM.

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## IN MY OPINION:

I was very happy to see each of our new Council asking questions and showing a real interest in the issues today. I hope this continues.

A large number of Shareholders and quite a few Producers showed up today. Most seemed to be very concerned about Shareholder Martha Dee Donelson's law suit against the BIA that would stop drilling and production on the Mineral Estate until NEPA regs are complied with. Everyone had questions but there were very few answers forthcoming from the MC and the BIA's stock answer was "we are being sued so we can't talk about it." Chairman Waller did acknowledge that this was a serious issue, but if any further discussion was held, it was done in executive session. This was the proper thing to do at this point. The Council's attorney was there today, and the Council did discuss rehiring oil and gas expert Dan Renieke. Although the MC is not being sued directly, we Shareholders will be affected directly if this ridiculous law suit is successful.

As a matter of fact, we may already be about to suffer from fallout from this travesty. I was told today by a long time Osage Producer that Devon Energy is pulling out of the Osage. He told me that although Devon had originally been determined to fight this lawsuit and defend their right to be here, that the BIA seemed equally determined to try to go it alone, and would not cooperate nor accept help or advice from the battery of attorneys this \$28 billion dollar energy company was offering. I haven't talked to anyone with the authority to speak to this issue, so maybe someone will still change their mind, but this is not likely to go away quickly. My greatest concern is that Federal Judge in Tulsa who rarely comes down on the Osage side in his decisions. A major Producer being involved just might get the judge's attention.

The BIA seems to be trying to get things started on the proper track, but it sure seems to be slow getting started. There's so much to do, it would be hard to know where to start. The fact that we only recently got a permanent Superintendent and the fact that we STILL don't have the new CFR's in hand, is certainly the responsibility of the BIA/DOI. I don't see how anyone could expect this show to start functioning properly until those 2 basic things happened. It seems that the Council is certainly aware of who's responsibility it is, and some very pointed questions were asked of BIA today.

Ray McClain, Osage Mineral Estate Beneficiary