

Osage Minerals Council Meeting 8/20/2014

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

Aug 21, 2014

Council Chairman Everett Waller opened today's meeting promptly at 10:00AM. Councilman Talee Redcorn gave the prayer.

Tribal accountants Leslie Young and Julia Roe were not present for their reports today. No explanation was offered.

Minerals Council auditor Jim Swan gave his usual detailed report. Of note was that the average daily production was down 168 bbl per day for June, 2014 (the reporting month.) No explanation was offered.

In the absence of BIA Supervisory Petroleum Engineer Charles Hurlburt, Osage Agency Superintendent Robin Phillips fielded the questions for him. Most of the questions for the BIA concerned the recent letter dispatched by the BIA addressing the Environmental Assessment now required. Ms. Phillips explained today that, in most cases, full EA's would not be required for ongoing production operations. Those operations that definitely would require the complete EA would include drilling of new wells, workovers involving frac'ing, and conversion of producing wells to salt water disposal, however, other special circumstances could possibly require the EA. Any other work requiring a permit can proceed by filling out an "exclusion request." A template of a special form for this exclusion has been distributed to all operators which, when completed and returned to the BIA, will exclude all normal maintenance activities from further NEPA regulations. Normal, day to day activities, such as pumping the wells and minor maintenance will require no paperwork at all. A full EA is estimated to take about 90 days to complete and is estimated to cost about \$6,000. She said that the exclusion form is designed whereby the average operator should be able to complete it with very little, if any, cost. Further, she told us that the conditional exclusion for EA's is based on a 1979 environmental requirement, which has not been rescinded.

Ms. Phillips also said that the BIA intends to increase their diligence concerning monitoring and terminating non-producing leases.

Councilman Talee Redcorn made a motion that the Council ask their Oil and Gas Attorney Tim Dowd to review the 1979 NEPA ruling to be sure that it still applies to the Osage Mineral Estate. The motion passed 8 yes, 0 no.

Producer Charles Wickstrom introduced his new company, Iron Hawk Energy Group today. In his presentation, he said that the letter concerning EA's that the Producers had received from the BIA was quite confusing, and he asked that the BIA send another letter better defining the EA requirements and the exclusion, and defining their intentions on how the ongoing lease access problems will be dealt with. Ms. Phillips agreed to do that.

The Council then went into executive session with Carter Oil and Iron Hawk Energy.

Following executive session, a motion to accept an offer from Carter Oil for 2 leases failed by a 4 to 4 tie vote.

In old business, Councilman Galen Crum reopened the question of hiring oil & gas expert Dan Renieke to help assemble the data being received from the BIA concerning oil & gas production. This data is required by the 2011 settlement. The data is being sent by BIA in the form of scanned run tickets. The Mineral Council has no way to sort this information out efficiently and use it. The vote was 6 no and 2 yes, with Crum and Yates voting yes. Further discussion was held about possibly hiring gas expert Susan Forman, or Attorney David Harrison for this work. Included in the discussion was the possibility of hiring 2 or even 3 persons to get this work done.

In new business, 2 Chaparral Energy representatives spoke to request an extension on 2 leases. The Council resolution was to approve this request for a 2 year extension on these leases for \$6,000 per lease. The vote was 5 yes and 3 no with Boone, T. Redcorn, and Erwin voting no.

Producer Scott Ducharme with Performance Energy spoke to the Council expressing his concern that the BIA is not doing anything to enforce availability of access to some of his leases. His point was that the BIA has the authority to assure access but they are not doing this.

Attorney Bob Martin, a former member of the 1st Minerals Council, gave the Council a brief overview of the Donelson lawsuit, stating that if Donelson is successful, it could cloud the ownership of the Mineral Estate. Chairman Waller thanked Mr. Martin, and assured everyone that the Council was monitoring the case closely.

Shane Matson, President of Bandolier Energy, gave the Council a brief overview of his new company. He told the Council that Bandolier had acquired the West Pearsonia Concession from Spyglass Energy Group. He said that he and Charles Wickstrom had drilled 13 horizontals in the Mississippi Lime on this concession as Spyglass, and that he plans 7 new wells for 2015 with Bandolier. Responding to a question, Matson told the Council that if this next series of wells is successful, it would likely make a gas gathering system for the area viable. Further, he said that the 8,400 ft Wha-Zha-Zhi #1 deep well had been recompleted in a shallower zone, and production testing was about to begin. He said that it looks very encouraging, so far. Chairman Waller welcomed Mr. Matson and his new company and expressed our appreciation that he and Mr. Wickstrom continue to lead as pioneers in the development of the Osage Mississippi Lime. Further, Waller vowed that the Council would do all they could to assist whenever possible.

The meeting adjourned about 1:00 PM.

In my opinion:

Frankly, it worries me that Jim Swan had to report that our average daily production had dropped a little. If this was January, I could understand, but this is for the reporting month of June. Our production should be going up. Councilman Talee Redcorn asked about this, but no one offered an explanation.

It seems that Agency Superintendent Robin Phillips is willing to give everyone a little clearer explanation of the new EA requirements. They have sent out a template of an application for "exclusion" from the requirement for an Environmental Analysis. Any Producer who properly fills out the form and returns it to the Agency, can be exempt from the requirement of a full EA, except for new wells, frac'ing, and conversion to SWD. It is rather lengthy, and will take some time to complete, but most operators, large or small, should be able to handle it with a minimum of expense. It is much simpler and much less expensive than doing a full EA.

I was happy to see Charles Wickstrom at the meeting today. He is one of our more versatile operators, and he makes us money with anything he does. This man always has a "plan B." His operations have been severely affected by this "access" problem, and he continually works to try to get the problem resolved.

It was good to see former Councilman Bob Martin back in Council Chambers today. His talk on the Donelson case was very informative.

I was REALLY happy to see Shane Matson back at a meeting. His brand new company, Bandolier Energy, seems to be well financed and they certainly have the expertise to fully develop the West Pearsonia Concession. If their 7 new wells in 2015 are successful, not only will we make good royalties from the oil, they might produce enough gas to finally make a gas gathering system happen for that area. Currently, all the gas produced from those 13 existing wells and others in the area is being flared off.

Ray McClain, Osage Mineral Estate Beneficiary