

**Osage Negotiated Rulemaking Committee**  
**Meeting 4 – November 13, 2012**  
**Osage Minerals Council Chambers, 813 Grandview Place, Pawhuska, Oklahoma**  
***Meeting Summary***

**Consensus Agreements**

The Osage Negotiated Rulemaking Committee reached consensus on the following items during the meeting:

1. The Committee agreed to approve the meeting summary from the October Osage Reg-Neg meeting.

**Welcome and Opening of the Meeting**

The meeting opened with a prayer and introduction of all Committee members and staff who were present. Patrick Field, facilitator, reviewed the agenda for the meeting and invited members of the public interested in making a public comment to sign up to do so.

Members of the Committee, including alternates, and staff to the meeting introduced themselves and provided their organizational affiliations. A full list of Committee members, staff, and members of the public who were in attendance can be found in Appendix A.

Committee members reviewed a draft version of the Meeting Summary from the Committee's October meeting and approved the Meeting Summary. The final, approved version of this document can be found on the BIA's website for this Negotiated Rulemaking at <http://www.bia.gov/osageregneg/>.

Staff to the meeting stated that the Public Repository of documents produced by the Negotiated Rulemaking process would be in place by the end of the week.

**Report from Osage Producers Meeting on Royalties and Indexing**

Osage Committee member Andrew Yates provided a report from a meeting that Osage oil and gas producers and purchasers had with Osage Minerals Council members. Mr. Yates reported that the meeting featured a diversity of producers, of various sizes, that operate in Osage County. He provided an overview of the comments received from producers and purchasers at the meeting. The purchasers provided information about the costs that they bear in

transporting oil and gas via pipeline and via truck, the costs that they bear in purchasing, and the overall cost structures that producers face in producing oil and gas. Mr. Yates also said that he heard from the producers that a larger number of purchasers means that there will be greater competition, which is beneficial to the tribe. Mr. Yates also reported that Mitch Mouton, staff member to the Osage Reg-Neg Committee, attended the Producers Meeting and explained to those in attendance that the Committee is proposing to use Oklahoma Zone 1 pricing for natural gas and NYMEX pricing for oil, not NYMEX pricing for gas, as some believed.

In response to Mr. Yates' presentation, Committee members discussed the following topics:

- As Osage Committee member noted that many producers are concerned about the Committee setting a base price for oil that will be too high for some of the producers. This Committee member stated that the Osage have a long history of setting prices for oil, including the highest posted price. As such, there is ample precedent for the Committee using NYMEX and Oklahoma Zone 1 standards to set pricing for oil and gas.
- A Committee staff member representing Osage interests summarized Mr. Yates report to the Committee by noting that producers provided much information about the costs that they bear. He stated that the Committee members understand that royalty payments are one of the costs that producers bear and that the Committee would consider producers' other costs in setting royalty rates.
- Mr. Yates noted that the purchasers did not provide concrete information about the costs that they bear out of concern about divulging proprietary information but rather provided estimated cost figures. Osage Committee members and staff members noted that the Committee would need to secure more concrete cost figures from a broad spectrum of producers in order to proceed with its work. Committee members would be collecting information from the Osage Agency about producers' costs and the revenue and cost structures of their businesses in order to inform the Committee's decisions. A Committee member stated that the Committee would have a better sense regarding next steps in December or January.

In response to a question, an Osage representative to the Committee said that the Osage members of the Committee remained in favor of implementing the previously-discussed 20 percent royalty rate, although this could possibly be revisited in line with other considerations, such as assisting small producers.

### **Drilling Obligations Regulations**

A staff member to the Osage Committee members stated that there are currently no plans to update the proposed draft language on drilling obligations, 25 C.F.R. § 226.9, that was

introduced and discussed at the October Reg-Neg meeting. The facilitator noted that concerns had been raised about a couple of provisions of those proposed draft regulations and an Osage Committee member stated that the Osage representatives to the Committee are still considering various issues related to the Osage Nation's unique situation and the concerns and considerations that the Osage representatives have.

### **Electronic Reporting**

A staff member to the Osage representatives on the Committee members noted that the Osage representatives to the Committee proposed modifications to the current regulatory language in 25 C.F.R. § 226.13 in the proposed draft regulations that were created before the Reg-Neg meetings began. He also stated that, in the case of electronic reporting, the regulations will need to relate to operational concerns at the Osage Agency in that the regulations should facilitate the Agency's work. The staff member stated that the Osage representatives is discussing the relevant issues with the Bureau of Indian Affairs. The staff member noted that the current proposed draft language for 25 C.F.R. § 226.13 would give the Superintendent different formats in which data could be reported. Other concepts that are being discussed include which party the data would be submitted to and the option of allowing the Superintendent to specify the format in which data could be reported. He noted that he had not heard of concerns that the reporting requirements would be too burdensome. He stated that he thought that the current proposed draft language for 25 C.F.R. § 226.13 is in pretty good shape, and could possibly be updated to include the amendments mentioned.

In response to the staff members comments, the Committee discussed the following topics:

- A federal representative to the Committee stated that systems are tools and can be changed and updated at any time. As a result, it would make sense to exclude systems from the text of the regulations because the former may change in the future. The federal representative inquired about have 25 C.F.R. § 226.13(b)(4) involve direct reporting of information to the Osage Minerals Council. In response, a staff member to the Osage Committee members and an Osage Committee member noted that there could be various ways of having data reported to the Osage Minerals Council without requiring the Superintendent to do any additional reporting, including an electronic system that would be accessible to various parties.
- A federal representative to the Committee noted that the NIOGEMS system can be tailored to create reports of various different kinds using the filtering tools built into the system. Using a system of this sort would require having sufficient staffing capacity to monitor and review the data. The federal representative stated that once data is being

reported electronically, the Minerals Council will be able to access the data as needed and manage operations accordingly.

- A federal representative to the Committee reiterated that it is important to keep the regulations flexible to adapt to future needs, including different data requirements by future iterations of the Minerals Council. As such, 25 C.F.R. § 226.13(b)(4) should say something to the effect of “the Osage Minerals Council receives reports.” In response, an Osage representative to the Committee agreed on the need for flexibility and a staff member to the Osage Committee members noted that the implementation of electronic reporting would likely improve the situation for all concerned parties.
- A federal representative to the Committee stated that the BIA is comfortable providing the Osage Minerals Council all of the information that wants relating to production, royalties, and related concerns. The question is just how this information will be provided.
- An Osage representative to the Committee stated that he would like to see this system implemented as quickly as possible.

### **Production Accountability**

Federal Committee member James Stockbridge explained that he had attempted to conduct a side-by-side comparison of the current Osage regulations with Bureau of Land Management (BLM) regulations but that this proved to be difficult to do because the regulations are so different. Instead, he focused on studying the current BLM regulations to see what concepts could be introduced into the Osage regulations. For example, there are a number of concepts around venting, flaring, etc. that are not addressed in the current draft regulations proposed by the Osage Minerals Council. Mr. Stockbridge also explained that he is looking at Onshore Oil and Gas Orders and Dear Payer letters and other mechanisms that would create nimbleness in Osage regulations so that the regulations can be updated to adapt to changing circumstances. He acknowledged that even updating Onshore Oil and Gas Orders can be a slow, deliberative process, but that the Orders are nevertheless easier to update than is the process of updating regulations. Mr. Stockbridge stated that he is hoping to begin talking about mechanisms to understand what types of language belongs in the regulations themselves and what types of language should be tied into the regulations through reference. He said that he is also looking at how BLM’s approach is evolving and attempting to remain nimble in dealing with changing circumstances. Mr. Stockbridge said that he is hoping to have a meeting of the Production Accountability Subcommittee later in the week.

In response to the comments from Mr. Stockbridge, an Osage representative to the Committee said that the need to reference outside sources in the Osage regulations became clear during a

Consultation meeting in relation to referencing American Petroleum Institute standards for the metering of natural gas. He stated that the Committee could look at other ways to reference outside sources. Another way of keeping Osage operations nimble is to empower the Superintendent to make decisions to a greater extent than she currently is. There are significant differences between how operations are governed in Osage Country and in the rest of the federal world, and so a lot needs to be done to bring the Osage operations up to speed.

A federal representative to the Committee asked whether the American Petroleum Institute or the American Gas Institute came up during the Producers meeting the previous week and an Osage representative to the Committee responded that none of the producers brought up either of these organizations. A staff member to the Osage Committee members added that there do not appear to be concerns about the keep-whole accounting arrangement. Instead, producers' concerns appear to center more around the level of the royalty rate, not how the royalty is determined. An Osage representative to the Committee noted that a producer at the previous week's meeting expressed a concern that the Osage Minerals Council not turn its back on natural gas production. This Committee member stated that the Royalty and Indexing Subcommittee would be meeting with an individual who is very knowledgeable about natural gas production in coming weeks in order to learn more about her concerns in order to inform the Committee's work. A federal representative to the Committee stated that he hoped to hear from producers regarding their perspective on reporting during the public comment session, particularly as most operators also have operations outside of Indian country and it would be useful to know how burdensome it would be to have different reporting requirements in Osage County.

An Osage representative to the Committee asked Mr. Stockbridge about his conclusions in comparing the BLM and Osage regulations. Mr. Stockbridge responded that he found numerous elements in the BLM regulations that are not included in the Osage regulations. For example, the BLM regulations contain significant detail about how gas metering should be conducted. Since the Osage regulations do not contain and language pertaining to this issue, the Osage Agency currently would not be able to inform operators that they are conducting metering improperly or direct them to change their practices. Mr. Stockbridge stated that the absence of certain language in the Osage regulations give the Committee significant flexibility to decide how to move forwards and that the regulations will likely need to be updated to allow the Agency to be more specific with operators about the content and implication of the regulations.

An Osage representative to the Committee stated that he thought that Mr. Stockbridge is comparing apples and oranges in comparing BLM regulations to the Osage regulations and

inquired whether Mr. Stockbridge was asking the Osage to follow one set of regulations or another. Mr. Stockbridge clarified that there are some basic engineering and regulatory requirements that need to be in place to allow the Osage to manage their mineral estate. For example, the Production Accountability and Royalty Compliance Subcommittee saw that meters of incorrect sizes are being used in relation to the quantity of gas that is flowing. Mr. Stockbridge continued by saying that this is keeping the Osage Agency from getting accurate readings about the amount of gas that is being produced. The Bureau of Land Management's regulations specify that no more than a three percent band of variance will be allowed and the variance of the measured volumes of gas produced on Osage lands appears to be greater than three percent.

An Osage representative to the Committee asked Committee member Stockbridge if the implication of his statements would be that Osage producers would have to change the way that they measure and sell natural gas and how much this would cost the producers. Mr. Stockbridge responded that while he could not be sure as to the scope of the needed changes, since more information would need to be gathered regarding current practices, the metering process for natural gas would need to be updated for greater accuracy. Another Osage representative to the Committee supported Mr. Stockbridge by noting that the American Petroleum Institute and American Gas Association standards are used throughout the industry, not just by the Bureau of Land Management. Osage representatives and staff members also noted that the Osage regulations regarding natural gas were put in place before modern standards were put in play.

### **Public Comment**

Patrick Field, facilitator, introduced the procedure and ground rules for making public comments. Mr. Field noted that individuals who preregistered to make comments would comment first, followed by those who registered to make a comment on the day of the meeting, in the order that registrations were recorded. Each commenter has up to five minutes to speak. Comments should be directed at the Committee as a whole, not at specific members of the Committee. Finally, Mr. Field requested that commenters keep their comments germane to the specific purview and work of the Committee.

The following public comments were received during the meeting:

- Jamie Sicking said that he could not help but notice that the Committee does not have any industry representatives. He said that he knows that it is not common to include industry and that the Reg-Neg process is a government-to-government meeting. Nevertheless, he said that he wonders if it is not too late to add some representatives

from industry. Or, if it is too late, then perhaps the Committee can look into forming an industry subcommittee which could consult with the Committee in face-to-face meetings instead of industry perspectives being represented only through public comments. Mr. Sicking suggested that including industry representation could make the whole process smoother and more streamlined. He said that this would allow for industry representatives to better understand where Committee members are coming from and for Committee members to better understand where industry representatives are coming from in a more personal setting. Mr. Sicking said that he felt that the current process is not the most productive way to have discussions. He added that he would like industry representatives to have more of a voice in a way that is not so adversarial. The adversarial style is different from the way that the Osage have done business for a hundred years as they have had more of a partnership approach. Mr. Sicking closed by saying that if Committee members could find some way to include industry perspectives on the Committee, it might make the rule-making process more productive.

- Warren Thomas introduced himself as being employed with the Sullivan Company. He said that the Sullivan Company has been operating in Osage Country for the last 10 years. He said that, as the Osage's operating partner, he wanted to caution the tribe about the changes that the Committee is proposing and how those changes would affect operators and future operators and the money invested in the county. Mr. Thomas recounted that, in the late 1980s and early 1990s, the Osage did not have very much drilling or leasing on their lands. The Osage thought of using the concession concept and immediately Chevron came in and initiated \$3 million worth of drilling. Mr. Thomas said that, before Chevron came in, they looked at the regulations in effect on Osage lands and deemed them to be fair. He stated that that judgment induced Chevron to spend their money. Mr. Thomas said that the Sullivan Company took over Chevron's portion and that the Sullivan Company also looked at the regulations and thought that they were fair to all parties. He said that the Sullivan Company has given millions of dollars in royalty payments to the tribe and that the Company has invested knowing the rules of the game and knowing that the Osage have been fair to operators. Mr. Thomas said that the Sullivan Company brought in a partner last year who asked about Sullivan's experience working with the Osage and in response Sullivan told them that their experience had been great and that the Osage are pro-drilling. He said that the Sullivan Company hopes to spend a similar amount of money next year as it has this past year. Mr. Thomas warned, though, that if people come to Sullivan and ask about operating on Osage lands, the Company would have to tell them about the rising royalty rates, and the moves to cut off leases, and that those initiatives will be detrimental to investors looking at projects.

- Rob Lyon said that he would not have very much to say, but that there was something that came up earlier in the Committee’s discussion that he wanted to make sure that he understood. He said that he was referring to the issue of electronic reporting and run tickets, and that he addressed this at the September meeting. Mr. Lyon said that, when a purchaser shows up on location, the truck driver has a handheld computer and leaves a paper run ticket to take back to the producer’s office. He said that he heard earlier that there is a proposal to have the producer scan the run ticket and send it to the Bureau of Indian Affairs. He noted that purchasers already have records of run tickets because the truck driver has it on his handheld computer. Mr. Lyon explained that only one-third of run tickets are legible because they are often torn, wet, etc. and to ask the producer to submit the run ticket is pretty unrealistic. He said that he did not want to incur the wrath of the purchasers, but that it would be a lot more realistic to have them submit run tickets than to have the producers submit an illegible run ticket. Mr. Lyon also said that producers already create monthly reports that show gross barrels produced, sold, how many days of production on the lease, etc. He said that those reports are already a huge burden for producers to comply with. He suggested that, if producers will also be required to submit run tickets, the Committee may need to make some sort of accommodation for small producers that do not have computers. Mr. Lyon expressed his hope that the Committee can come up with some way to fulfill the reporting requirements without small producers having to hire an IT technician to comply.
- Cynthia Boone thanked the Committee. She said that, maybe by end of the day, the Committee could clarify comments she heard from someone and misconceptions about using NYMEX indexing. She said that she also did not want the Committee to do anything to diminish the Superintendent’s authority. Ms. Boone also said that she wants to maintain Osage uniqueness and not change how things have always been done.
- Matt Beavers read the following text directly from the proposed draft regulations: “Unless Lessee shall complete and place on production a well producing and selling oil and/or gas in paying quantities on the land embraced within the lease within 12 months form the date of approval of the lease, or as otherwise provided in the lease terms, or 12 months from the date the Superintendent consents to drilling on any restricted homestead selection, the lease shall terminate unless rental at the rate of not less than one half the Indexed Fee Amount per acre for an oil or gas lease, or not less than the Indexed Fee Amount per acre for a combination oil and gas lease, shall be paid before the end of the first year of the lease” (25 CFR §226.9(a)). “In no event shall the royalty paid from producing leases during any year be less than an amount equal to the annual rental specified for the lease. Any underpayment of minimum royalty shall be due and

payable within 45 days following the end of the lease year” (25 CFR §226.11(c)). After reading these portions of text, Mr. Beavers asked the Committee if they could confirm that he was interpreting the draft regulations correctly. Mr. Beavers explained, that according to his interpretation of the regulations, if someone buys a lease at \$30 per acre, and the minimum rental payment is \$100 per acre, then the effective rental would increase from \$320 to \$16,000. Mr. Beavers provided some further calculations and, on the basis of these calculations, concluded that a well producing 15 barrels per day would not cover the rental payments that are proposed in the draft regulations. He said that he did not think that this is what was intended by the Committee, but he wanted to bring it to their attention.

- Nona Roach said that it was kind of funny, but that she spoke with several Committee members after the previous meeting and they discussed natural gas prices. She explained that she pulled information on several of her operators and how much they are being paid on gas contracts. Ms. Roach also commented on the fact that the BTU rarely changed when she was doing her reports. She said that, in January 2007, it went to 1400 and that it has not changed since then. She said that gas payments range from 60 percent to 25 percent. She explained that these contracts were not right at the beginning and, if her operators are only getting 25% of the money, then the Osage are only receiving royalty payments on 25% of the money that they are due. Ms. Roach said that it was interesting when the Committee was discussing metering because she said that she was told by an expert that the Osage are losing 10 to 15 percent, which equals \$150,000. Ms. Roach said that, if one were to take the orifice in the meter and turn it the other way, then one would lose 25 percent. She said that the meter runs that are coming up were engineered in the field. She said that the tolerance is so minute that any turbulence on one side will lead to a loss for the Osage. Ms. Roach told the Committee that the deck is stacked against the Osage. She said that the “dealer” is the purchaser. She stated that there is not anything that the producers and the Osage can do on their side to write the gas contracts. Ms. Roach said that the Osage could write a model contract specifying how producers have to do business in Osage County.
- Bob Jackman said good morning to the Committee and others assembled in the room. He said that he made some quick notes. He said that his first note is to always remember: the money is under the ground. If you try to make money above the ground in bonuses and leases, then you will run off the people who make their money under the ground. Mr. Jackman said that the NYMEX situation is a huge mess. He suggested to the Committee that they speak with Susan Oren. He stated that Ms. Oren knows more about commodity markets and those sorts of things than anybody else in the room. He warned that the Committee should be careful as the Osage or the Federal Government could find themselves as defendants in a court case because producers are

very nervous about the Committees suggested regulatory changes. Mr. Jackman reiterated his suggestion that the Committee speak with Ms. Oren. He said that the problem at the Bureau of Indian Affairs is that the Bureau does not have system operators to operate the systems. He stated that the industry has evolved. Mr. Jackman said that even the mom and pop producers use production consultants. He suggested that the Osage Minerals Council raise salaries to \$45,000 per year as there are Osage members who are retiring out of the oil and gas industry and \$25,000 is insufficient to attract them. Mr. Jackman said that he and his colleagues were also telling senators and the Bureau of Indian Affairs that the allocation to the Osage Agency must be raised by \$1 million or more. He said that the Agency cannot continue to be run the way that it has been run. Mr. Jackman said that, on the natural gas issue, federal investigators from the Department of the Interior are investigating. He said that the Osage and some operators are being shorted on gas. He said that there will be a major lawsuit, not just against the Osage but also against the Bureau of Indian Affairs. Mr. Jackman said that there is total mismanagement on Osage lands and that he has heard of examples of dishonesty occurring from the Bureau of Indian Affairs because unqualified individuals are in place.

- Linda Heskett said that she is a shareholder. She said that she was wondering what the future of gas holes will be. She asked whether gas will be the energy of the future and whether the Committee needs to address this in the regulations. Ms. Heskett also said that the BIA is understaffed. She said that if rules are in place, then they need to be enforced. She said that as shareholders, she and the other shareholders are the last people to get any information. Ms. Heskett told the Committee that when it is creating new regulations, it should consider new people who will be coming in. She said that she has seen that the Superintendent has no teeth because she is understaffed. Ms. Heskett said that while she know that it is political, the Committee needs to be on top of things that the rules and regulations will go into in the future. She asked how much influence the oil and gas industry has on the Committee's decision-making with regards to the regulations.

In response to questions and comments posed during the public comment period, the Committee and staff provided the following information:

- An Osage Committee member said that the Committee is not proposing to use the NYMEX index for pricing natural gas but rather is proposing that NYMEX be used to price oil and that Oklahoma Zone 1 pricing be used for natural gas.
- Committee members, staff, and Matt Beavers discussed the question that Mr. Beavers raised about whether his interpretation about how rental payments would be calculated under the proposed draft regulations was correct. The parties discussed how the rental

payments would be calculated under the proposed draft regulations, the Committee's intention to set a floating rental rate, and how producers currently make rental payments. Committee members noted that there may be some unintentional incongruence and unintended consequences that result from the combination of changing the regulations in two different places and stated that they would revisit the regulations cited by Mr. Beavers to make sure that they accurately reflect the Committee's intentions. Bob Jackman added that the Committee could also consider adopting another approach, a paid-up rental rate procedure, which is being used successfully elsewhere in Oklahoma and in other states. In response to a question from a member of the public, Mary Johnson, a federal representative to the Committee said that the rental rate elsewhere in Indian Country is \$3 per acre. A second federal representative noted that this rental rate only applies to one specific type of lease, which is now rarely used.

### **Other Agenda Items and Work Planning for Future Meetings**

- The Committee reached agreement to approve the meeting summary from the October Osage Reg-Neg meeting.
- There will be no Osage Reg-Neg meeting held in December. The next meeting will be held on January 24<sup>th</sup> and 25<sup>th</sup>.
- All subcommittees will strive to present proposed regulatory language at the January meeting.
- Cynthia Boone may make a presentation about the Wind River trip in a future meeting.
- The agenda and schedule for work past the January meeting will be decided at that meeting.

After a closing prayer, the Designated Federal Officer adjourned the meeting at 12:09 pm.

### **Attachments**

- A. Attendance
- B. Action Items
- C. Materials Distributed to the Committee
- D. Written Public Comments Submitted

**Attachment A: Attendance**  
**Osage Negotiated Rulemaking Committee**  
**Meeting 4 – November 13, 2012**

**COMMITTEE MEMBERS**

Last Name	First Name	Organization	Principle or Alternate
Abbott	Sonny	Osage Minerals Council	P
Crum	Galen	Osage Minerals Council	P
Yates	Andrew	Osage Minerals Council	P
Red Eagle	Myron	Osage Minerals Council	A
Whitehorn	Dudley	Osage Minerals Council	A
LaCounte	Darryl	Department of Interior, Bureau of Indian Affairs, Deputy Regional Director-Trust Services, Rocky Mountain Regional Office	P
Manydeeds	Stephen	Department of Interior, Assistant Secretary-Indian Affairs, Chief, Division of Energy and Mineral Development	P
Stockbridge	James	Bureau of Land Management, Trust Liaison and ONRR Liaison	P
Tyler	Paul	Office of Natural Resources Revenue, Program Manager, State and Indian Coordination	P

**AGENCY AND OTHER STAFF**

Last Name	First Name	Title	Organization
Godfrey	Merrill	Legal Representative	Akin Gump, <i>for</i> Osage Minerals Council
Reineke	Dan	Consultant	Consultant <i>for</i> Osage Minerals Council
Mouton	Mitch	Minerals Revenue Specialist	Office of Natural Resource Revenue
Dalton	Kenneth	Legal Representative	Department of Interior, Office of the Solicitor
Black	Mike	Director	Bureau of Indian Affairs
Impson	Robert	Deputy Regional Director, Trust Services	Bureau of Indian Affairs
Streater	Eddie	Designated Federal Officer	Bureau of Indian Affairs
Stills	Candace	Administrative Support Assistant	Bureau of Indian Affairs, Eastern Oklahoma Region
Loftin	Rhonda	Acting Deputy Superintendent	Osage Agency
Canady	Cammi	Realty Assistant	Osage Agency

Field	Patrick	Facilitator	Consensus Building Institute
Kansal	Tushar	Facilitator	Consensus Building Institute

### MEMBERS OF THE PUBLIC

Last Name	First Name	Public Comment
Beavers	Matt	Y
Boone	Cynthia	Y
Dionisio	Monica	N
Heskett	Linda	Y
Jackman	Bob	Y
Johnson	Mary	Y
Lackey	Tom	N
Lacy	Heather	N
Lyon	Rob	Y
McClain	Ray	N
Meyer	Jane	N
Peng	Peter	N
Phelps	Floyd	N
Roach	Nona	Y
Ross	Brian	N
Sicking	Jamie	Y
Tackett	Kim	N
Thomas	Warren	Y
O'Toole	Dan	N
Waller	Everett	N
Wilson	Julie	N

**Attachment B: Draft Summary of Action Items**  
**Osage Negotiated Rulemaking Committee**  
**Meeting 4 – November 13, 2012**

<b>Task</b>	<b>From</b>	<b>Deadline</b>
Arrange next meeting location	OMC	Early January
Prepare meeting summary	CBI	Late November
Visit Southern Ute Tribe to discuss electronic reporting, coordination with ONRR, and other issues	OMC	???
Produce draft regulatory language.	All subcommittees	January meeting
Publicize meetings in advance via Federal Register and Osage Minerals website and other means	DOI	Mid December
Organize next detailed meeting agenda	Co-Chairs	Early January
Send materials for public repository to OMC	BIA	Mid November

**Attachment C: *Materials Distributed***  
**Osage Negotiated Rulemaking Committee**  
**Meeting 4 – November 13, 2012**

1. Final Agenda
2. Draft Meeting Summary from Meeting #3

Attachment D: *Written Public Comments Received*  
Osage Negotiated Rulemaking Committee  
Meeting 4 – November 13, 2012

# GBC PETROLEUM, INC

P O BOX 82  
HOMINY, OK 74035

918-885-9955  
918-671-6055

10-29-2012

RECEIVED  
#4  
NOV 05 2012  
BIA WEWOKA AGENCY

Mr. Eddie Streater  
Designated Federal Officer  
BIA, Wewoka Agency  
P O Box 1540  
Seminole, OK 74818

RE: /CFR, Title 25, Chapter 1, Part 226 for Osage County

Dear Sir,

We are writing in regard to the above referenced revision being deliberated. According to all accounts it appears the proposed changes will have a definite negative affect on all Osage County Producers

As a small independent producer in Osage County, we are writing to vehemently oppose these changes!

Calculating royalty payments based on NYMEX for oil makes absolutely no sense when producers do not have ability to obtain the necessary numbers. Likewise for gas producers. Why would the BIA choose to make decisions counter-productive to the very citizens they are appointed to protect?

Additionally, terminating a lease early because of anything OTHER THAN PERPETUAL non-production is counter-productive to the producers and oil production itself. There are many small producers whose very lively-hood depend on their modest production. Each independent producer has their own set of circumstances and should not be penalized for any reason other than perpetual non-production.

Another burden you would be adding to the producer is requiring the producer to file their reports electronically. Many places in Osage County still have difficulty getting access to the internet.

Something else that begs the question is why would there be a need for the way producers gauge & report both their oil &/or gas production? Many gas purchasers provide enclosed calibration meters and can only be accessed by the purchaser. Producers and operators must take their calculations they receive from the purchaser.

We would ask you to get a great deal more input from the private sector, producers and the actual parties that the changes would affect before implementing any of the proposed changes. Way too many times rules, laws and requirements are changed and put in place that are pointless and create a hardship on the very people those same rules were meant to help.

Please consider the produces, purchasers and all those that will be adversely affected by those changes and consider their opinions and input seriously before changing anything.

Respectfully Submitted,



Michael L. Brown  
President GBC. Petroleum, Inc.