

W. Robert Wilson

Attorney

Capital Building - 510 Kihkah, Pawhuska, Oklahoma 74056
(918) 287-4800 Fax: (918) 287-4801 Email: wrwlegal@sbcglobal.net

March 6, 2013

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

#10
MAR 08 2013

Dear Mr. Streater:

I have been furnished with a list of approximately 12 suggested changes to the CFR relating to production of oil/gas in Osage County.

I have practiced law in Osage County for almost 50 years, and have also been actively engaged in the oil and gas business as a producer for in excess of 20 years.

Quite frankly, when I look at the majority of the changes that are suggested, it would seem the overall intent is to (1) try to put the small producer out of business, or (2) take away from the small producer marginal wells which we struggle to keep going.

In particular, I would address the following:

1. I look at the basis of a bond for \$10,000 per well and I wonder what is the justification, because it certainly is well in excess of reasonable plugging expenses.
2. Royalty is based on NYMEX, which none of us (to the best of my knowledge) receive, so in effect, that would require us to pay royalty on a price we don't receive. I have a hard time understanding the equity in that or the argument of the Tribe. We already pay on the "highest posted price" that sometimes we don't receive, and making us pay on the NYMEX is, in my opinion, absolutely unfair and onerous.
3. Is there is some viable reason for us having to call the Superintendent before we sell a tank of oil? Does this mean we have to have their permission? I just don't understand what this accomplishes.
4. Another major item is termination of leases after 90 days if not producing in "paying quantities". How is paying quantities going to be defined and determined? What does this do to the lease that makes 1 bbl per day – has been fully developed, and yet you may not sell but 1 tank of oil every 3-4 months? Is this a lease you are going to then cancel and take away from the producer? If that be the case and the lease has been fully developed, then you are just taking away royalty from the Tribe because no one else is going to want that lease.

5. What is meant by a site security plan and how much additional expenses is that going to add to the operator?

I would hope the Minerals Council and the individuals who are going to make the final decision on the modifications of the regulation will remember that the vast majority of the producers that you are hearing from now in objection to these proposals, are the ones who have been here for years.

You will recall not many years ago when the county had numerous major producers, like Phillips, Cities Service, Gulf Oil, Sunray DX and others. However, when the pricing got a little difficult and the "flush" had come off the production of new wells, they basically pulled up stakes and left the Tribe high and dry. The majority of the people that belong to the Osage Producers Association, and the vast majority of your local producers, stayed here and bought a lot of those leases and kept them in production for the benefit of the Tribe and headright owners.

I realize that time has changed and we now have major producers back in the county and there is great hope of horizontal wells producing huge volumes of oil for the shareholders. I also realize that these major producers may well be able to demand more for their oil than the small local producers, and thus, the burden of NYMEX might not be so great for them, and in fact, some of them might be able to demand NYMEX. Also, the bonding requirements, etc., because of their size, might not be such a financial burden, but this is not going to be true for the majority of your small producers. \

I think it is important for the Minerals Council to remember that when the "icing comes off the cake" on the horizontal wells, and/or price problems arise, these big producers will again leave the county just as they did back in the 1980's, and the Tribe again will be left with the small independent producers, unless these regulations are drafted in such a way that you totally drive us out of business. Quite frankly, that is a reality.

I sincerely hope the Minerals Council will give serious consideration to the long range effect of what is going to happen if all of these proposed changes to the regulations are made. I honestly believe that some of them are totally unjustified and unwarranted, and will place such a burden on small producers that you will drive them out of the county.

Yours very truly,



W. Robert Wilson

WRW:dk

cc: Rob Lyon, President
Osage Producers Association

Chief John Red Eagle