EDDIE STREATER: Let's go ahead and get started. We would like to welcome our guests from all parts of the Department of Interior. Many of you know each other.

Charles and I go back over a quarter of a century working together and against each other. We have a great relationship. So on behalf of the Osage Nation, welcome all the guests.

And I want to recognize, of course, our Minerals Council. We have all of -- I'm not going to go through every name because you all know who they are, and our two Osage Congress members, and our attorney general and all the officials of the Osage Nation, and all their -- and their attorney Mr. Fredericks and Rebecca.

And Paul Revard is a producer. And his father, George, was on our Tribal Council. And I went to high school with Paul. And he's a little older than me. He looks younger, but he's older.

And our speaker of our Osage Congress, Angela Pratt, is walking in. And so like we always do, we are going to turn it over to the Lord here, and there's a lot of history here, a lot of, oh, you could say directions, we're coming together, we're coming apart. You know, it's for our people and our next generations to come.

So Brother Everett, I want to call on you not just
as Chairman of the Minerals Council but as one of our religious and cultural leaders. And then if you would turn over to Kristen Kokinos. She's going to say you've got to use this microphone.

(Prayer led by Chairman Everett Waller.)

KRISTEN KOKINOS: This morning we have a court reporter here to transcribe the meeting. Before I turn it over to the regional director for some opening remarks, I just wanted to point out that we have our court reporter here.

So it's important that even though we want to have open discussion, that one person speaks at a time so that she's able to record what everyone is saying. After Eddie gives opening remarks, we'll go around and do introductions and I'll turn it over to Eddie.

EDDIE STREATER: Good morning, everyone. I do appreciate everyone coming today. Chief Standing Bear, thank you for attending and providing the area we're in today. Chairman Waller, good to see you.

I think today we're going to -- everyone may not know what we're kicking off today. And I just want to go through that a little bit. This is a predraft meeting to see about the possibility of revising 226.

There's certain segments of it that are dated. And we all know that, having sat here, that we need to take a
look at to get a product that we can move into the next
century and the century beyond. So that's really why
we're here today.

And I know it's kind of a hard deal to give up your
day. And I really appreciate that. Because we need to
know what the Tribe's and the Minerals Council, the path
forward. And that's why we're here.

Self-determination. We want the Tribe's input on
this. We want it to be meaningful. And hopefully, after
today, we'll set another day after we set forth the four
corners of the direction we want to go and then move at
that pace.

So with that, thank you all again. Drive safely
going home. Hopefully, the fog will dissipate a little
bit. And we'll turn it over to Kristen for introductions.
And then we'll go into how to -- a brief introduction of
the consultation process and what we really need, the
topics that are put forth.

KRISTEN KOKINOS: So my name is Kristen
Kokinos. I'm an attorney-advisor for the Office of the
Solicitor in Washington, D.C.

EDDIE STREATER: Eddie Streater, Regional
Director, BIA, Eastern Oklahoma Region.

RICHARD WINLOCK: Richard Winlock, Osage
Agency.
KUGEE SUPERNAW: Kugee Supernaw with Osage Congress.

REBECCA SHER: I'm an attorney for the Osage Minerals Council.

TALEE REDCORN: My name is Talee Redcorn of Pawhuska Village.

ANGELA PRATT: Good morning. My name is Angela Pratt. I'm the speaker of the office.

PAUL REVARD: My name is Paul Revard. I am a member of the Osage Tribe of Indians, headright owner, and an oil and gas producer within Osage County, Oklahoma. I'm here at the request of the Minerals Council to advise and consult with them concerning these regulations.

TOM FREDERICKS: I'm Tom Fredericks. I'm an attorney with Fredericks, Peebles and Morgan. I'm legal counsel for the Osage Minerals Council.

STEPHANIE ERWIN: I'm Stephanie Erwin, Osage Minerals Council.

YVETTE SMITH: Good afternoon. Yvette Smith, Indian Tribal Liaison at the Office of Natural Resources.

ANDREW YATES: Minerals Council member.

GALEN CRUM: Galen Crum, Osage Minerals Council.

HOLLI WELLS: I'm the attorney general for
the Osage Nation.

CLINT PATTERSON: Clint Patterson, first assistant attorney general for the Osage Nation.

MARIA WHITEHORN: Maria Whitehorn, Osage Nation Congress.

ROBIN PHILLIPS: Robin Phillips, superintendent, Osage agency.

SHELBY HANCHERA: Shelby Hanchera, environmental protection specialist at the Osage Agency.

M itch M outon: I'm Mitch Mouton with the Office of Natural Resources Revenue.

EVERETT WALLER: Minerals Council Chairman.

KATHRYN RED CORN: Kathyn Red Corn, Osage Minerals Council.

CYNTHIA BOONE: Cynthia Boone, Osage Minerals Council.

CHIEF STANDING BEAR: Geoffrey Standing Bear, Principal Chief.

LIZ APPEL: Liz Appel. I am with the Office of Regulatory Affairs, and the Office of the Assistant Secretary for Indian Affairs NGC.

CHARLES BABBST: I'm Charles Babst. I'm a senior attorney with the Tulsa Field Solicitor's Office.

KRISTEN KOKINOS: So before we get started,
I just want everyone to know that the meeting will be in an informal tone. So if anyone needs to take breaks or anything like that, feel free to come and go at your leisure.

So as Eddie said, we're here today in tribal consultation because the BIA determined that a review of the regulations in Part 226 is appropriate. And we want to consider whether, and to what extent certain provisions in those regulations should be revised in an effort to strengthen BIA's administration of the Osage Mineral Estate.

As many of you probably know, in May 2015, BIA published what's called the Osage Final Rule that was the product of the negotiated rulemaking that went on during 2012 and 2013 with BIA, the Nation, and Minerals Council. Due to subsequent litigation, that rule never went into effect. And in November of last year, the BIA took a voluntary remand of that rule.

I want to make sure that everyone understands that this consultation process is completely separate and apart from the prior negotiated rulemaking process. This is not negotiated rulemaking.

This is government-to-government tribal consultation. It's not a reopening of the prior negotiated rulemaking. If a determination is made that we
want to move forward and revise the regulations, that
would be attendant to normal agency rulemaking processes.
Does anyone have any questions on that point?

TALEE REDCORN: And appreciate you coming
forward. I think that's in the vein that we envision with
the Osage Minerals Council as representatives of the Osage
headright owners that we be in negotiation with the United
States.

That's what we talked about with our attorneys. The
thing is, I appreciate you're saying that the original
process of negotiated rulemaking is no longer in the
works. Is that what I understand?

KRISTEN KOKINOS: That's correct. The
original rulemaking process was completed. The consensus
report from that process has been issued. It culminated
in the Final Rule. But that rule never went into effect.
But this is completely separate from that.

TALEE REDCORN: Okay. Thank you.

TOM FREDERICKS: We have been involved in
the standing controversy. And this whole idea of
consultation is coming in to question. The Army, the
Department of Interior, and the Justice Department are
reviewing how consultation should be.

And NCAI and some of the tribes are saying they want
to go back to the indigenous people's rights that have
been recognized by the U.S. And have the prior informed
consent with consultation. Because consultation is not a
binding legal obligation.

And you say, Well, we met with them on November 8th
and it was good. And that's all they have to say, and
that's the end of the consultation.

We would like to have it be an enforceable law in
the courtroom or even have prior informed consent which is
the standard of indigenous people's rights.

CHIEF STANDING BEAR: Echoing Mr.
Fredericks' statements on behalf of his client, I also, on
behalf of the Osage Nation, although I -- we appreciate
all of you as individuals from the Government have great
concerns about this term government-to-government
relationship or consultation.

And the latest example, as I stated to the
Department of Interior officials, is HR 812 being enacted
by the United States Congress and signed by President
Obama without any input from myself, the Minerals Council,
our Osage Congress.

I know Governor Anoatubby spoke with me of the
Chickasaw and expressed the same disappointment. This 812
creates a position as under Secretary of the Interior.

And then, in my view, if I have the chance to comment,
ignores the 1994 Indian Trust Settlement Act and all the
litigation and problems that are evident in the Congressional record.

And then when we tried back then, because some of us were there, to keep all of the BIA away from our headright money and other trust funds, and created the Office of Special Trustee, which is now overseen by an Osage member, Vince Logan, we were trying to keep moving it away, keep moving it away.

And now they're trying to put, they, the Congress, the Department of Interior, and the President's office are all putting them back together closer and closer. That tells me that "consultation" is a real arbitrary term. And this government-to-government relationship exists apparently at the whim of the Government.

It's not an equal relationship. I express this again for the record to the United States of America. And echoing Mr. Fredericks, you're going to have to show us how this is going to be binding in some way because the history, even recently, has shown it's just a charade.

And so like you said, Eddie, we're all -- all, including you, are very busy. And if this is just all a waste of time, let's just go ahead and discuss that first. Thank you.

PAUL REVARD: I think it might be the right time to suggest that if there were going to be these
regulations that affect our mineral estate, it's so important to protect the mineral estate. One of the major affected parties are not here at this meeting, the people that are going to be ruled by these regulations. And that would be the Osage County producers.

All this language in these regulations is basically regulating how they are to operate within the mineral estate. I feel like they should be represented in such an important meeting concerning this. And I am an Osage County producer but I'm not here today in that capacity.

I'm here but for the Minerals Council just to -- basically, because I do have some experience in this area. I feel like if there's going to be regulations that are going to dictate how the Osage County oil and gas operators are going to conduct their operation, I think they should have a seat at the table.

KRISTEN KOKINOS: If I could just speak to what Mr. Revard just said before we -- as far as the Minerals Council, I understand that you're here today for the Council and not as a producer. The consultation we're having right now is a pre-draft consultation just to make a determination as to whether there's a consensus about revising the regulations as a whole.

Even though this process will be carried out as Agency rulemaking, all of the producers and other
interested parties will have the opportunity to be involved through public comment were a proposed rule to be put out. So the producers certainly will not be removed from the table. This process is just the tribal consultation with the tribal parties. Thank you.

KUGEE SUPERNAW: The Congress is here as an observer. The Minerals Council, I read up a little on this consultation process to be ready for this but apparently I read the wrong thing. In the consultation process, if the Tribe, in this case, Minerals Council, made a recommendation and the BIA didn't adopt it, they had to come back with a reason why they didn't adopt those recommendations.

What have we got here today? I mean, if they make recommendations here today, is there any requirement or any follow-up or anything or are we just here truly to just observe what's going on?

KRISTEN KOKINOS: No. The purpose of meaningful consultation under the Bureau's consultation policy is just that. It's to be meaningful consultation. We're here especially pre-draft because we want the Tribe's input.

And in the event that there's consensus that we should move forward with revising the regulations, the plan then is for us to go back with some of the input we
receive today on, you know, topics that are discussed about certain provisions or regulations in general, come up with a draft that would then be circulated to the parties that are here for their review and comment.

And then after we provided that draft, we would hold an additional consultation session to discuss in-depth any comments, concerns from the Tribe regarding those regulations. As far as how the tribal consultation policy works, maybe Liz, you could speak a bit more to that.

TOM FREDERICKS: Rulemaking, too, when you get into the rulemaking, the last time we were relegated to making a comment rather than any kind of meaningful consultation. They just told us to make a comment. We were treated like the public. And we want -- we feel like as a Nation and as Minerals Council, we should have more say than the public.

KRISTEN KOKINOS: And that's why we would conduct another consultation after this one once there was a draft, a discussion draft, so that the parties could have some substantive discussion about potential revisions.

LIZ APPEL: So thank you. And so basically, this is -- this is our typical process for rulemaking. We have -- well, this is actually beyond. But we do usually have tribal consultation before a
proposed rule is published when possible with timing considerations.

So with the consultation today, which is government-to-government, this is, from what I understand, even a more preliminary consultation session because we're talking about simply whether to revise 226; and if so, some of the main provisions that need to be revised.

Following that, then there will be a preparation assuming there's a consensus to move forward with revising the rule. There would be preparation of a draft based on the input that you all provide today and then another consultation session to discuss that draft.

And then we would go to publication of a proposed rule in the Federal Register. And then at that point the draft, the proposed rule, becomes public and it becomes part of the public rulemaking process.

So once that proposed rule is published, typically, there's a 60-day public comment period. And during that 60 days, anyone from the public can write in comments on the proposed rule.

In the meantime, we usually have a separate consultation session with the affected tribes. So outside of the normal public, while it's during the public comment period, we have a separate consultation session with the Tribe to -- to hear any concerns especially from the
Following the closure of the public comment period, and consultation period which generally are just concerns, then the BIA prepares the final rule and then publishes the final rule in the Federal Register. And typically, after a 30-day delay, that final rule, then becomes effective.

CHIEF STANDING BEAR: Thank you, Liz. Maybe we're on the wrong track completely. Now, let me -- let me ask you a question, those of you in the Government that know more about other tribes than I do.

I visited with some other tribes in this position I have and saw -- let me just go to Jicarilla. I asked them: Are you self-governing? They said, Well, partly, not partly.

I said, Let me get to the point. You have lots of natural gas and some oil. And I talked about regulations. What they told me I thought was a great idea. I don't know if, you know, if it's the way I took it but I'll tell you how I understood it.

I would like for you to confirm it or clear it up. They tell me at Jicarilla, their Chairman, the counsel, the BIA person that was superintendent, that they have worked out with the Bureau of Indian Affairs all their regulations are in their tribal code. And they have
worked with BIA to get approval of their tribal code provisions that are determined to be trust matters.

But that way, it's reversed. They determine what is management, and they don't need BIA approval on those. What is trust, BIA goes ahead and approves it. So if there is any conflict between any of the -- what's in part -- Title 25 of the Federal Regs, their tribal code governs.

And they said that's sovereignty. So you can't be letting them make a rule for you because that's them telling you how you're going to be. You've got to get out of that. You've got to start thinking, it's in our laws and then you go tell them to be sure to approve anything that they think they can show as trust.

Now, this is not under self-governance. This is on talking to the BIA and secretary. So I like that. I would rather go that way. I don't think you should be making any rules for us at all.

EDDIE STREATER: Chief, that's really the onus from this began from the OMC with regards to rulemaking. It was in the tribal trust litigation. That was one of the things that were greed to that the U.S. Government would enter into a revision of 226. And this is kind of a continuation of it.

CHIEF STANDING BEAR: Well, okay. Well,
Eddie, I respect your following that agreement. But remember, the world changes, as we all know. You were down there at Wewoka.

You probably don't go back as far back as I do when Chief Milam was down there at Seminole. If we were still operating under those rules, Seminole still wouldn't be open, shut down for years. So they changed and those are traditional Indians there. Hard to change.

So all the parties that were on our end that were on that agreement are right here. We've got representatives, Minerals Council, Congress, Chief's office. We all agreed to that agreement.

Now you all are over there. Don't get hung up on that piece of concrete that's just a monument to problems that existed in the past. We're moving forward. So when you say that agreement, you're -- I'm not listening to you anymore.

We're talking about now in the future. You're talking about the past. Okay? So let's change that agreement. But I don't want you guys making any more rules for us. That's just from my part.

LIZ APPEL: Is there legal framework that we should talk about why we have Part 226.

KRISTEN KOKINOS: We can. Under the 1906 Act, the Act states that the leasing of the Osage lands
will take place subject to the rules and regulations
prescribed by the Secretary of the Interior. So subject
to that authority, that's when 25 Part 226 was
promulgated.

CHIEF STANDING BEAR: And that's what
Jicarilla said. That's why they went to you to get those
provisions of their code approved.

Rules and regulations. You can now respect us and
our rules and regulations, and you should sign off
wherever you think it's trust. If there's a conflict, our
rules control. If Jicarilla can do it, why can't we?

EDDIE STREATER: Well, they -- we can
certainly take a look at that, Chief. And that's what
we're here today for is to see, you know, feel everyone
out on the direction they want to go.

We would have to see within the legal framework if
we can adopt how they're doing business in Jicarilla.
Obviously, we do have some differences here at the Osage.
BLM is not involved, and ONRR, up to this point, is not
involved, which the rest of the Nation is.

An that's what kind of -- you know, you go back to
the uniqueness of Osage. And that is one of the main
deals.

TOM FREDERICKS: I would just like to add
to what Chief Standing Bear is saying. Eddie, I'm an old
solicitor. And we did a lot of work on regulations. But here we're involved with 177 which says that only Congress can allow Indian property to be alienated. So they developed the 1906 Act which is an act that authorizes leasing of Osage minerals.

And in that Act it says that it would be under such regulations that the secretary may determine. So that what you're talking about is the Tribe making regulations and then they still have to sign off on it because otherwise, it's not an enforceable lease. That's the way it is.

KRISTEN KOKINOS: So on that note, certainly things that we can take into consideration. We would have to go back and review what the framework is at Jicarilla as Eddie mentioned.

CHIEF STANDING BEAR: Southern Utes had another approach as well. And you know, we -- we want to look at other options because this has been a problem for a long time.

So why are we stuck on it when other people are looking at other solutions outside of this very narrow framework inside of a little book. Well, now it's digital, you know. So why don't we look at Southern Utes? Why don't we look at Jicarilla.

Maybe Senator Barrasso; he is head of the Indian
committee. He told me you need to look at what they're
doing up there in Montana. They have -- they have
headright shares, kind of a different deal, he said.
There's not one model that you're stuck to.

So just to come here -- we appreciate it -- and talk
about this one little segment of the universe is -- I
don't know. You don't have my interest in it anymore. I
mean, I'm just not interested.

It's still a rule from some outsiders and some
people that pass through our Agency. This is our
property. I'm a headright owner. And this is our people.
You guys are just coming through.

I think we need to be making the rules then you
exercise your trust responsibility and say that's a trust
matter, this paragraph, let's talk about it. And then we
negotiate that paragraph. You sign off, and we're good.

And whatever we do, our law controls. And we put
that under the Minerals Council.

CHARLES BABST: We did that, Chief. We did
that. And we got sued on it. And we set that aside.

CHIEF STANDING BEAR: No.

CHARLES BABST: And now we're starting
over. And if there's -- if there's a different plan, I
think we're ready to listen.

CHIEF STANDING BEAR: Thank you, Charles.
But I didn't see it in our code.

CHARLES BABST: Chief, you sued us. You won. Part of the settlement was we agreed to do what we did. And if there's a new plan, we're listening. But there's going to be a book. There's always a book, Chief. And you know that.

CHIEF STANDING BEAR: Thank you, Charles.

CHARLES BABST: There's always a book, whether you're a Christian, or you're a Hindu, or you're a Muslim or you're a Jew, there's always a book. And we've got to have a book.

KRISTEN KOKINOS: We certainly value your input. We can look at the constructs that are in place with other tribes. As Eddie mentioned, Osage is a little bit different particularly because the regulations that govern here are not BLM regulations that -- the same as everywhere else pretty much.

It's certainly something we can look at. But the first thing we really need to do today is talk about whether revision is needed.

I know in recent meetings we've had with the Minerals Council, the Council has expressed concern over potential revision of the regulations because without revision, there are certain changes or improvements at the Agency that would be difficult or impossible to implement.
As you may know, the last substantive revision in these regulations took place in 1974. And a lot has changed since then. And even in 1974 there were provisions that went unchanged. And those maybe now have been unchanged since the 1950s.

In addition, in 2014, the Office of the Inspector General issued a report that was pretty critical of the regulations in Part 226, noting that they were vague and inadequate. And also stating that they really need to be updated so they mirror the regulations that are applicable to the rest of Indian country. So on that note, I would like to get your input on what you think about the need for revision.

CHIEF STANDING BEAR: I think the Bureau of Indian Affairs needs severe and major revision. And your rules go along with that. Thank you.

TALEE REDCORN: I'm Talee Redcorn. I'm on the Osage Minerals Council. And the reason I voted that we -- one of the reasons of many is our ability to determine value of all our agreements we make with whomever.

And the feedback I was getting, and continue to get up to that point is well, you can always go up. And my feeling is we can go down, too. And we've done that in 1949 when we had a referendum vote. They dropped the
royalties in the Burbank unit to 1/8th.

Now, I think that if we didn't have that, we would be out of an opportunity of 3,100 barrels per day today, because the CO2 process out there is really hauling in some oil.

Now, we've got Osages like Mr. Revard here. We're just not sitting here. There's a lot of Osages that are out there in the oilfield right now and they work out there. And they make their money out there. And they -- I've got some lessees that not only work the oil lease, they also work the agricultural lease.

So they're -- and when we do -- we have to have the ability to exercise our sovereignty to determine value on our assets. And I felt like this has taken that ability away. Now, I do know through a lot of Federal regulations -- I work in tribal areas on environmental and natural resources in the '90s, so I understand that there's a lot of areas that are covered in the Clean Air Act, Clean Water Act that have tribal rule, tribal authority in those things, natural resource rules.

So I think we need to -- I would like to capture those to move forward to let the Osages determine value. But also move toward maintaining. I appreciate Chairman's comments or someone else's comments, or our attorney on what's going on in North Dakota. And we had discussion on
our minerals estates, our Minerals Council. Maybe we need to look into what they're saying.

And one out of four barrels we're producing is by renewable means. That's through our CO2 capture process. We think, as Osages, we can do -- we need a chance.

We want our chance to do it, to be able to develop our resource through our laws, everything that's been given and granted to us.

I don't think it's been given. I mean, have a different viewpoint. I listen to our Chairman lead our meetings. We have a different viewpoint of how we want the Osages and our property ran. And we want to do it ourselves.

We have Congress here. We have our Executive office here. We have our Minerals. And like I said, we have a lot of folks, like Mr. Revard, who are members of the Tribe, own shares, and are out there moving them, moving product for everybody. I think a lot of those things were not included.

This is my chair speaking. It might be different from someone else. But the majority, I believe, felt this way; that's why we rejected it. And I would like to see additional or looking into valuation.

As our chief said, the trust, where does that come in as far as follow-up on how our leases are going to be
handled. And so I think there's room for discussion. So I'm enjoying the conversation. I'm hoping that we can, as the Osages and the United States, come together in agreement here. Because I think it will benefit us both.

Because I see a different tide coming. I see a lot of activity coming just from these people, the Dakota people up north. And they're saying they're standing their ground. They're saying no, we need to change the way we do business.

And I think we need to listen as a responsible entity as people who are developing leases. It's going to be a challenge. But I think it's time to start today. We owe it to our young people.

And this young lady, she was only 18 years old. Well, now I'm hearing it from all our Osage children. Let's redo. Let's think about how we develop our resources. You know, they're not into this. And I don't understand it.

But they're young and they're vibrant and they're, you know, I think we're the type of people that produce one out of four barrels with renewable means. And we're the people to be able to launch into this direction.

And I would encourage our tribe, let's move forward with it. I think we've got a great opportunity. And I would like to see this coming back and then give us the
leverage as a Nation to be able to move forward in that direction.

REBECCA SHER: Something that I would like to note: I noticed that you did send out a list of possible discussion topics for updating the regulations that the United States would suggest.

And to the extent that this group does reach a consensus to move forward with the revising of the regulations, we would want to also suggest further topics for revision, and also to note that we don't want to see the May 2015 final rule just republished in the Federal Register.

KRISTEN KOKINOS: Right. And that's why I wanted to take care at the beginning to note that this is separate. It's not just a republishing what was already taken back. This is a different process where we're starting over.

REBECCA SHER: And to that point, I think we all know that the negotiated rulemaking process did just culminate in those regulations. And I do appreciate that. But I think we have learned a lot about how those rules would impact this county. And so want to ensure that we move forward in a smart manner.

KRISTEN KOKINOS: Sure. And also a note on that as well. We included a copy of the remanded
regulations in the consultation packet purely as a starting point potentially for discussion or just reference with other topics that may be relevant to the discussion today and things like that, not because as a starting point for it.

CHIEF STANDING BEAR: But, Kristen, I would like to just go right to that, if I might. Go ahead, Paul.

PAUL REVARD: Well, if we're going to use something for a reference, --

EVERETT WALLER: Mr. Revard, let the Chief speak.

CHIEF STANDING BEAR: I will defer to my elders.

PAUL REVARD: Thank you, Chief. Rather than take the volume of a set of regulations that failed, why don't we start out with the existing.

KRISTEN KOKINOS: Those are in the packet as well.

PAUL REVARD: I know they're in the packet. But if we're going to take something and modify it, rather than take your-all's failed proposal, why don't we start with ours that we've already got and improve on it and go from there and go up. Thank you, Chief.

CHIEF STANDING BEAR: Just for discussion
purposes on issues only, will you look at what you
attached. I think we should be very careful. For
example, Section 226.21, Procedure for Settlement of
Damages Claimed, subsection f.

This talks, as most of us know, about the
arbitration provisions. In there it talks about each
party shall have 90 days from the decision in which to
file an action in a court of competent jurisdiction.

Now, we are way past those stages. The competent
jurisdiction on matters having to do with Osage property
is the Osage Nation court. So that needs to be
recognized. This isn't 1984 where we have the CFR courts.
This is 2016.

So when you do that, you talk like that, it's, to
me, it just seems like you're not respecting our systems.
And then before Mr. Babst takes over, Section 226.24,
Lessees Use of Water, as you may or may not know, we have
substantial activity going on with our water rights.

Even today I think at 2:30 we have attorneys -- I
think there was 17 of them on our phone conference last
time, probably about the same amount. We are fully
engaged in a battle which we have not publicized.

So when you talk about lessees use of water, what
gets me is that it seems like you haven't read the
U.S.G.S. report. Maybe you have. But you need to at
least say, well, another branch of the Department of
Interior, United States Geological Survey, worked with the
Osage Nation. We spent how much, Former Speaker, about
two million --

MARIA WHITEHORN: We're pushing two million
now.

CHIEF STANDING BEAR: -- of our own money
working with them on a partnership to produce our reports
on our water. Now, they're not vague at all. They're
saying this is Osage water all the way through.

So what you've done in this rule which we're not
even calling a rule, it is an example, you say lessee or
his contractor or their contractor, it should say, "may
use water from reservoirs, formed by the impoundment of
water from such streams and natural water courses."

On one hand, you know, these water law attorneys --
and I'm not one of them -- will say, well, that's good to
show that there's Federal control, there's tribal control,
there's activity. But you're really "getting down in the
weeds," as they say, and starting to talk about how our
water is going to be used. You don't have that right at
all. Zero. That's our decision.

EDDIE STREATER: Chief, that provision was
not changed from the prior, the current 226. That was not
changed. And we can -- I would like to discuss that with
you off -- off campus on that. Okay?

CHIEF STANDING BEAR: It's almost out of my hands. We are fully engaged. I'm just saying I have to show this to the team today. We're going to be bringing in everything. And welcome to that world.

EDDIE STREATER: Yeah. In your consultation, I'm sure the state will be making an attack on the water rights.

CHIEF STANDING BEAR: For the record, we appreciate the solicitor's letters to Attorney General Pruitt last time although we're not referring to that anymore from what Kristen said. But I would like to see that continued assertion of our rights.

But be careful about this old language. This is modern times. And looking back, still, it's like that settlement agreement. That's old stuff. We've got to get with what we're doing now.

KRISTEN KOKINOS: And that's why we're here. Right now what's in force are the old regs from essentially, for the most part, 1974 or earlier.

CHIEF STANDING BEAR: I just need to put those two on these into the record.

KRISTEN KOKINOS: Certainly.

CHARLES BABST: A lot of -- some of the language you just quoted is actually from the statute.
And if you look at, for example, the surface damages is part of the regulation, that was lifted almost in whole cloth from the statute itself.

CHIEF STANDING BEAR: And that's good, Charles, and you're right. These regs refer to the 1929 Act and other amendments, the 1906.

If we're going to work together on something, which we obviously have to, because of the trust responsibility, and all that which is involved, then we need to go ahead and identify from our end what parts of Federal law need to be changed to give us the freedom to control our own destiny.

That amendment, that 1929 Act needs -- and 1912 act too while we're at it. I'm not going to get into all that. But those laws need to be fixed.

CHARLES BABST: Well, that's exactly what happened and what you guys successfully did with respect to the Constitution was you went to Congress and you got a statute that authorized subsequent activity.

Now, I understand that we can disagree or maybe we agree on at what point you have to go to the Congress and at what point you shouldn't have to go to the Congress. I'm just talking about the world in which we live.

Everybody here knows that I'm pretty simple. So I just want to understand that it sounds like everyone
around this table is not satisfied with continuing on in perpetuity with the 226 regs as they currently exist.

Now, I think that's a threshold question that sort of needs to be asked.

I mean, -- the 226 regs as they are currently written are in effect and have the full force of Federal law. But it doesn't sound like anybody is satisfied with that. And we -- everyone may have different reasons for that.

But that's the threshold question is do we want to leave things the way they are and go forward with 226 until we're all dry bones and other people are dealing with it? Or do we want to move forward on the development of a different course of action.

And so it sounds like the answer to the threshold question is yes. After that point, divergent paths appear.

GALEN CRUM: I was on the -- within the Minerals Council side of the negotiated rulemaking process. And we didn't attack any of the larger questions that the Chief is talking about in terms of self-governance and that sort of thing.

We were pretty narrow. We had a recent settlement. And within the 10-year process of litigating that, there was numerous, numerous problems found with the way the
Osage Agency was operating. And I think that the Federal Government realized that at the end there was many things that was wrong.

So we, more or less, attacked it in terms of valuation first off. In terms of -- well, we also attacked it with just cleaning up the language. We still had Chief being, you know, a chief, and a Tribal council being the governing body within it.

There were lots of little nuts and bolts things that needed to be replaced. But mainly what we attacked it on was the terms of getting the full value of Osage oil and gas.

And within the litigation, 10-year litigation process, we -- we found out that -- or we knew when we started this, many of the things, that the Osages are being required by regulations to accept less than market value for our oil.

The HPP process was thrown out. It was not fair. It was not -- it was not going to work. And so right now today, this last month, the difference between the average price of oil paid to the Osage, and what we were forced to accept by the HPP process, highest posted price, -- I should give you that acronym -- is $2 a barrel cheaper than the average, over $2 a barrel cheaper.

So we're the only, to my knowledge, we're the only
Indian tribe in America -- I talked to my colleagues -- valuation talk is that is required to accept the bottom of the market price. We're required to accept that. If our -- if our producers do not negotiate a better price than that, we are forced to accept the bottom of the market.

Prior to the HPP process going in, the Osages were the top of the market. And it got changed like five times I believe during the course of the history. It started off with whatever price was sold anywhere in the Mid-Continent for -- sold or offered was the Osages royalty price point.

Then it shrunk down to Texas and Kansas and Oklahoma, I believe. And then eventually it got down to Oklahoma at the end. So we went from that, from whatever the highest price was paid during that month in the Osage to this HPP deal that put us in the bottom.

That's the reason Chief Tillman and the 3rd Council filed the lawsuit. It was because we suddenly lost the ability to price our oil at the top of the market.

EVERETT WALLER: That wasn't the only reason but that was one of them.

GALEN CRUM: Yes. But that's how it got the name HPP lawsuit. Yeah, there was other things. But you know, there's lots of other things uncovered.

So we started off on that point. We wanted to get
the full value of our royalty oil. The gas has almost no regulation. We don't get to set what the price is. We don't get to set how much is given away in the purchase contract process with the producers; they can give away three-quarters of it. And the Osages only get royalty on that quarter that the producers get to keep.

We didn't feel that was right that we don't get to set some standards by which our oil is measured, and where it's measured, and then what the value of it is, fair market value for the area.

So we put that in the new regs. And then there's just lots of things that were just nuts and bolts things that had to be fixed as we went through.

Somebody talked about the Office of Inspector General's report. Out of the 31 deficiencies that was found, prior to them ever coming in, us looking at the process, us looking at what went on, I think we identified and dealt with them in the regulations the things that could be dealt with, for 26 of them. 26 of the 31 we fixed in this document that got rejected.

So my saying is that we have to fix what is in place right now. We have to do something with it. Now, whether we do it with the Chief's recommendation, it sounds wonderful. If we can get that around to where we were doing it with our own regulation and our own
self-determination, I'm all for that.

But I'm also all for getting back this couple, $3 million a year we're losing right now today in royalty value that we're not now getting for our oil and gas. That's what those improvements would have meant to us.

And the process got corrupted by people saying, Oh, nobody gets, for instance, NYMEX. Nobody gets that.

Well, that's not true. Anybody who looks at their sale records and looks at the monthly NYMEX record will show that just like when we did the process and we did the charts on it, about 45 percent of it was being sold at higher than NYMEX monthly average.

Right now I believe it's even greater because the guys have done a better job. And when I say "guys," the producers, of marketing their oil after they found out how this HPP system was ripping them off as well as the Osage. They're doing a better job than marginal.

But again, this last reporting month of August, the difference between the average price sold of oil in the Osage and what the HPP or the NYMEX monthly would have been was $.32 a barrel. $.32.

So it shows that NYMEX is a deal that's not only not the top of the market, the only achievable, it's not only achievable but it's really not even the top like it used to be; not anywhere near the top. It's just the upper
level. It's just above average of what the oil is being sold right now today in the Osage. And it's continued every month.

I went back to 2008 and checked the records that whole time. And that's what we see that's been going on. Sometimes it's even worse. So we can't go forward, in my opinion, with what the 226 says today. It has to be fixed. It has to be modernized, if nothing else.

Whether we do it with innovative techniques such as putting it through our Congress, I guess, to make regulation into it. Or if we do it through the process that you've outlined within the existing world we live in.

Many of those -- those changes that we made in there were taking power away from the superintendent, making them come to us before they did things, you know, such as -- such as terminating leases for lack of production. We had to know what was going on with everything.

So, you know, we -- we did six months, we did two years of work in six or eight months because we met every month because we wanted to get through and get it out there. If we're going to look at every rule and go through it one at a time, it's going to take forever. But I think if you go through and look at the body of it, there's very little -- very little things that the Osages should be opposed to if they really look at the case.
Even the one that my colleague mentioned within the valuation part. That was the Osages that put the 18 percent in. It had been 16-2/3s. In the process, the part that you could make special exceptions was drop down. I don't think that was really the intention of the Osages necessarily. We did it -- we said that, you know, this is the way we want it to read. But I'm not sure we caught it.

The BIA actually told us at the time and said, Are you sure you want to lock this down at 18 or 20 percent. And the Osage contingency said yes. So it was us that did it. And but it would not have affected the Chaparral, the CO2 that's going on, just the future.

Because the law says you can't change the existing contract for -- well, you can change things but there's only five things you can change. And one of them is the royalty rate. You can't change that.

So that was always going to be 12-1/2 percent no matter what was said going forward on the 18. We would not have been able to do, during this time frame, we would not have been able to do new ones that way. But it didn't affect the old ones.

And I'm for changing that. I think that there's a very good point that we can put that back in which will make that deal if we want. But the Government did not
come in and tell us we had to do that. That came from the Osages as part of a clear record. And we stuck with it. So that's a long way to say yes, we need to revisit these rules and change them in some fashion.

MITCH MOUTON: So in the interest -- in the interest of moving things forward, I have a question. And the question is: Is there anyone sitting around this table right now that does not agree that where things sit presently is not acceptable? Is there anybody who wants to sit pat on the current regs as they stand now?

So given that I don't see anybody who takes that position, I propose that we all agree, that we agree collectively, that we need to move forward correcting these regs. Now, I don't know where we need to start.

But we -- I don't think any of us have any issues with moving forward with changing where things stand now. So I propose we move to the next step and figure out where do we want to start with the changes. And let's begin that discussion.

STEPHANIE ERWIN: I would like to see us develop, and keep our resources that actually belong to the Tribe. So I have a question right here. And it was always my understanding that the water was attached to the trust. And that was opened by Vanessa Rycoch (phonetic).

Now, I don't know exactly where she got it from or
whatever. Maybe that was just her opinion. But I would like to have that clarified. Because she's the one that said it was attached to the trust.

EDDIE STREATER: And we have never backed away from that position. The state does disagree with that.

STEPHANIE ERWIN: Well, I know they do.

But she told them they wouldn't even sit down and discuss it with them.

EDDIE STREATER: No, that's --

STEPHANIE ERWIN: It was attached to the trust. And they weren't going to discuss it period, sit down.

EDDIE STREATER: That's still our position.

STEPHANIE ERWIN: Okay. But I just wanted to make it understood that we are, the Osage Minerals Council, the annuitants, we need to develop and keep our resources for our annuitants. Thank you.

MARIA WHITEHORN: Mr. Mouton, I agree that it's time to move forward. But what I see as a -- what I see as a big obstacle as I'm looking at your timeline, your tentative timeline that you have here, I realize you might be a month behind on that.

But what I do see is the Nation, in my opinion, Minerals Council, Chief's Office and Congress, I think it
would be very beneficial to move forward in this process if we could come to certain agreements ourselves. I think that trying to step into this without a plan formulated at the Nation level, and then just get pulled along by the Federal Government when we aren't settled on where we're going with this. Because a lot of things have been thrown out on the floor.

To me, it isn't, at this point, the Federal Government's business until we settle it between ourselves. I think that's a beneficial place to start just with some dialogue between our own Government to see how we want to shape our code for protection of the mineral estate. I think there's huge issues that we need to discuss about enforcement and jurisdiction.

To me, that is one of the main problems that ended us up into the highest posted price is there was a very poor job done in the enforcement of the current regs on the book. And I'm not saying I'm in love with the current regs, but if we're not going to enforce a new set of regs, if we're not in agreement, and we don't like what we have as a product moving forward, I don't see -- I see this as being partially a futile exercise.

I realize that collections, and what were being paid for our mineral is huge. It's paramount. And I don't believe that that's fair. But I don't think that this is
going to be a successful venture -- and I'm not trying to
doom it -- until we, as a Nation, decide what direction
we're going.

So my suggestion is instead of getting pulled along
in the draft of the Federal Government by their timeline,
that we come to the table as Osage people and try to
figure out what our stance is collectively if we can do
that, and then engage in the process with the Federal
Government. So that's just my suggestion on that.

CHIEF STANDING BEAR: I would agree with
Congresswoman Whitehorn. But at the same time, I think
Mr. Babst and I have been doing this kind of work for
other tribes for a long time. You can't lose your
momentum.

So if we're structured to continue discussion, and
you guys' budgets are set up that way for travel and all
that, perhaps we can do a parallel path. Continue on
whatever your plan was and expand it, and to defer to us
as we do what Maria Whitehorn is saying, and everyone is
saying, that let's not just discard the momentum that you
-- that we're engaged in.

And I need to say one other thing relating a little
bit off the subject maybe that we've got about 20 more of
those breakfast rolls. And, you know, some -- they're
going to get cold. And you know, those are for you to
CHARLES BABST: Following up on Chief Standing Bear's suggestion, what I think is again I think the threshold question is that nobody here is satisfied with 226 as it presently exists. And our mandate when they sent us down here was to talk about what parts of 226 in the short term can be amended or modified or changed in a way that would remedy the problems that you guys identified in the previous process.

But if the Osage Nation and the Osage Minerals Council is serious, and I take Chief Standing Bear and Chairman Waller at their word, that if they're serious about a fundamental transformation of the way the United States and the Osage Nation do business at Osage, that's going to --

Norman Schwarzkopf said amateurs think strategy. Professionals think speed and logistics. I can tell you from experience that the speed and logistics of what Chief Standing Bear is talking about is going to require in my view, new Federal legislation from the Congress. I honestly believe that. And you can raise kids in less time.

KRISTEN KOKINOS: Especially with the change in administration.

CHARLES BABST: Yeah. I mean, I am
personally aware of draft Indian country legislation that
has been bouncing around the halls of Washington, D.C.
for 15 years. And it has never even gotten to the point
where it's had a vote. Okay?

And none of us here at this table have the ability
or the authorization to talk to the United States Congress
about that. You guys do. And so what -- what I think
Chief Standing Bear is talking about, and I certainly
would agree with it, is with a parallel path, we've got
things in 226 that need to be changed, that need to be
changed in the short term.

CHIEF STANDING BEAR: And Charles, there's
a third road which is pending whatever Congressional at
the U.S. level changes. My observation at Jicarilla is
they, too, had legislation that's been on the book for
decades.

They found a way to work with the Bureau by waiving,
the Bureau waived, they tell me at least, certain
provisions of their regulations so they could defer to the
Tribal code provided BIA approved that Tribal code. So it
was a joint effort.

And so the code of the Jicarilla was BIA approved.
So that was a middle ground. And that's what I was
wanting to explore.

CHARLES BABST: I understand. And thank
you for that clarification. Obviously, we don't have those facts yet. I mean, you brought this to our attention.

CHIEF STANDING BEAR: I was relying upon what they were telling me.

CHARLES BABST: Sure.

CHIEF STANDING BEAR: And, you know, I take it for what they said. But there were no lawyers in the room.

CHARLES BABST: Well, there was one.

CHIEF STANDING BEAR: Yeah, but I wasn't sitting there as a lawyer. I was listening to what they told me.

CHARLES BABST: Okay. And so what I think, and I don't think we have any objection to this, is we're going to have to go back and investigate. I hate to use the word "allegation" because that sounds bad, lawyer to lawyer joke.

Investigate what you've brought up and what you suggested and find out how that -- first of all, how was it done, how could we do it here, and move forward on that while at the same -- and investigating that while at the same time also working on, in the short term, those parts of 226 that we all know need to be changed.

CHIEF STANDING BEAR: And, Charles, I think
it's been touched on across the table. We'll figure it out ourselves. I know Galen said something I was just talking to him about over there by the rolls -- the breakfast rolls that are growing colder -- that really, at the one spot, I would envision the Congress and myself passing a statutory framework that does not give details at all. And then as the Minerals Council's authority can be exercised through regulation. They handle all that. And then the Congress and the Chief's Office stay out of it.

But it's a framework that we would, among ourselves, negotiate like the Congress would do, pass a law, Minerals Council just like BIA writes its own regulations and carries it out. Now, that's just from my spot. We can figure that out.

CHARLES BABST: Okay. It in the meantime, the question that we need answered and I don't think anybody here is saying no to that. I think we're saying very interesting proposal. We'd like to learn more about it just like anyone else would.

In the meantime, we'd like to work, we'd like to move forward with the momentum we have to amend 226 and fix some of the problems that you just talked about in the short term. Because I mean, you've got a political process you've got to go through as well.
CHIEF STANDING BEAR: Right. I agree.

KRISTEN KOKINOS: So do we. But as Galen pointed out, in the meantime, while all of those wheels have to turn, right now they're on highest posted price. And there are other issues as well that cause issues for implementing ONRR which would make huge differences, all kinds of, all kinds of other, other items that can be addressed and fixed and improved while the other --

EDDIE STREATER: And I will say -- I hate to, Chief, to go back to the negotiated rulemaking, -- the U.S. Government within that process, very few things within the negotiated rules are driven by the Government. Very, very few.

The main one for us at Osage was the implementation of ONRR. For us that's tantamount. We have to have that in place. The rest of Indian country is using that for their accounting. And we need it here.

CHIEF STANDING BEAR: Over at Farmington, New Mexico, there is a pilot office. Actually, Ms. Oberly was running it for a while. But I was observing. And it was a combination -- I'm oversimplifying this but it was a combination of ONRR, BIM, and BIA.

And as I was further investigating that phenomenon, it involves questions of Washington, D.C. about a proposed Denver office that would be a combined -- Mr. Fredericks
probably knows more about it than I do -- ONRR, BLM, BIA, which would require the regulations of all agencies to be interchangeable. And I'm not going to get into all the details that I was told.

But if that kind of activity is going on, we need to know because there are some very, very strong opinions about ONRR amongst some of our producers. I think Mr. Revard wants to address that. So we just need to know what you know will be changing in the future.

EDDIE STREATER: With regards to the service center, Chief, it is up, it is funded. Now, it will be at Lakewood. Lakewood, Colorado, is where it will be located at.

They don't actually have a lease in place yet. They're working with GSA to do that. And as you said, it will be a joint effort between ONRR, BLM, BIA, and some other Federal entities. However, it is more of a technical assistance type.

They will come in, like, let's say, the Dakotas -- they were overwhelmed when the Bakken came in. Now, that would allow them to put together a strike team to move up there and to process things in a real timely manner, things of that nature. That's what that's going to be used for.

PAUL REVARD: With that, I'm not real
familiar with it but I've talked to people who are using that system right now. And it's my understanding that it is really difficult to use.

One objection was that you can't access the program except from, I think seven in the morning to seven in the evening.

EDDIE STREATER: I don't believe that's a true representation.

PAUL REVARD: Is that true or not?

YVETTE SMITH: I believe there's access.

PAUL REVARD: 24/7?

YVETTE SMITH: I believe so. And I can double-check on that.

PAUL REVARD: I'm told that there's not.

And a lot of our operators here in Osage County, they're small operators. Some of them are pumpers. And they work seven days a week. They get up at daylight. They don't get home until after supper.

And the only time they have to do their paperwork is on holidays, weekends, you know, where their daily rounds might be shortened a little bit on weekends. But usually, late in the evening is when they get caught up.

It's also my understanding I've been told that the ONRR system is set up on a per well basis. Osage County is unique that we collect, and we've worked hard at it, on
a lease basis. We may have one or two wells on a lease or
we may have 16 wells.

EDDIE STREATER: And that's recognized.

PAUL REVARD: I don't know if the system
you're referring to has been modified to accommodate that.

EDDIE STREATER: We recognize the
differences and we're working through those.

PAUL REVARD: There is a need for a change
in the way we report. We report our oil on a white piece
of paper. We report our gas on a green piece of paper.
Our consolidated on a blue piece of paper. And we've got
to rely on the mail.

We ought to be able to input data into some type of
database that can be sent digitally to the main database
and they just import it like an Excel worksheet into an
Access program.

EDDIE STREATER: That is the system --

MITCH MOUTON: That is the system that not
only every oil producer in the United States uses but
every oil producer in Indian country uses except here in
Osage. This is the only place where they don't report
that way.

PAUL REVARD: I just hear horror stores
about how difficult it is to utilize that system. Maybe
there needs to be some improvements in it.
TALEE REDCORN: In the last five years, I was on the Department of Energy grant for enhanced oil recovery. One of the terms we used was "shock" when you do a recovery, water flow or water cut or chemical shock as you move forward through these oil reserves.

And I want to use that analogy in this situation. I didn't -- I didn't act or vote capriciously. I felt like hearing all the people in the field which like, again, I say, we're a different breed, crew here in Osage County.

We've got Osage Tribal members in the oilfield. We've got them actively participating. So we have to take care of our county. And what I felt like was we had a shock situation coming through.

When you have a water flow that's this, and then all of a sudden it's different. And that enhances the recovery in an oilfield. But when we had this shock of regulations coming and the change in the way we do business, I think it really disrupted the flow of our business here.

So I'm for doing better at getting more value for our shareholders. But I don't want to shock the system to get there. I think it would be best if we take these step by step and see so we don't interrupt my 20 percent or 3/16ths or 1/8th or whatever we're making deals with.

I think we've even got higher royalties down by
Skiatook. They continue to get the most of their recovery and we keep these folks in the oilfield working.

So again, I just want to make sure that we have an even flow from start to finish when we do a change. And I felt like we're bringing in something that's real -- it's a tidal -- it's a tsunami that's coming into us economically that's going to be hard to stop the damage.

So that's kind of an analogy.

REBECCA SHER: To speak to points that Talee has brought up, when the new rule was introduced on May 2015, it was a shock heard from a lot of producers about the inability to comply in time with the rule. And that's something that I think the BLM actually has done really well in their revisions with the new 43 CFR, that they're introducing thresholds for requirements.

Some of the producers -- I don't have the data right in front of me. But they have got four different levels of thresholds for when you have to come into compliance with the rules. And that extends it up to three or four years I believe. And I think implementing some of those procedures and, you know, extending the time frame for compliance would really benefit the smaller Osage producers.

EDDIE STREATER: And you know, I think you just hit the nail on the head what this consultation is
KUGEE SUPERNAW: Chief has got to worry about the breakfast rolls. You know, what I'm hearing is there's a lot of long-term solutions but we're just -- I'm just an observer, and haven't been involved in this. But you know, if you're in a hurry and trying to save time and not take a bath, you at least wash the stink spots. Can anybody tell me in here what are the stink spots, or is it just dirty all over?

TOM FREDERICKS: Osage is one of the longest producing counties in America. And I think one of the things that I think we need to take into account when we're looking at new regulations because the producers are talking to us, they kept telling us we can't afford these regulations. We can't afford this. We can't afford that. And I think what Rebecca is saying is that might be a way for a well, we've got four barrel wells here, four barrels a day and they produce water so we've got to look at these stripper wells, marginal wells.

And so we need the collective group here regulated in a way that makes it work for the Osage. Because if you get to where you're regulating a 400-barrel-a-day well, they can take a lot of costs. But not a 4-barrel-a-day well.

So we need to -- besides that, we don't have much
electronic data on the production, where the wells are. And all that information needs to be digitized so we can turn on a map and we can see all the wells in Osage light up where they're at. It's capable -- you know, IHS could do that in a relatively short period of time.

And on the one-stop shop, I talked to them and they said they're willing to come to Osage and get -- run a full court press. They even mentioned bringing 14 people here to help. So that's what we need to do. Let's get people here to help us fix it.

GALEN CRUM: Yeah, when we were looking at how to implement the new rule, one of the things that -- one of the things I kept asking is how are we going to -- let's talk about implementing this stuff. Because especially perhaps on the gas if the infrastructure came in.

You're going to have to start measuring the gas properly. You're going to have to build a different structure to measure the gas. Right now a lot of people don't have it.

And the problem that we had, this is in the improvement, was until the new rule was finalized, they weren't willing to talk about how they're going to do it. It was a crazy system to talk to the Chief's point that sometimes the system gets in your way the way we're doing
And I think that the Osage would be a place that would be amiable to the idea that we just pointed out there that the lesser producers have a longer time in. Because I think Mitch can probably give you the exact numbers. But on some of those things, I will give you some general.

The 80 percent or better of oil is produced by 20 percent perhaps of the producers. And somewhere like that, right? And most guys already have most of everything we asked for that were nuts and bolts things within that rule already doing it.

So all they have to do is start — is just continue doing what they're doing and report it differently and abide by different rules. So it's that other 20 percent of the oil that's then produced by the other 80 percent of the producers, the small guys like Paul.

So it would be — it would be easy for us to capture nearly everything almost immediately in terms of both measurement, and the new regs, and that sort of thing and then phase it in. And I was a proponent of something like that at the beginning. We just couldn't get there with our discussions about how to go about doing that.

And the one-stop shop deal is — I think it's interesting to note that a couple of three years ago, I
was in a conference with many of the folks from Southern Utes. And they were working on trying to get that stuff in there at that time and some others were. And they were talking to me about here.

We already have a one-stop shop. Their problems came from having BLM, BIA, and ONRR being separate areas, separate ideas, and separate bureaucracy where they couldn't get it together to do it. Mainly, they could work pretty good with ONRR but there's a built-in tension between BLM and BIA that I can see through our processes that we don't have to deal with here.

The guys from Southern Utes were saying, Man, we've worked for years to get where you're at in terms of being able to deal with a centralized agency to get everything done. So we're ahead of the game if we do it right. We've already got what they have been trying to accomplish.

But we have to do it, you know, right, and make it be responsive to what we need and have the ability to do these things, you know. When we started the process, Osage wasn't even close to having a computer system that could actually tell you what was being produced and who wasn't turning in production reports and all that other kind of thing. It was just way behind.

There have been improvements in it the meantime.
But there's still a world of way to go. And as far as the ONRR thing, I did go to Colorado. Went through the process myself.

And I don't know about the -- on the weekends because I didn't try to do one from home. But the actual entering of the production reports will be an improvement once you get to it.

It's kind of like I went through in my former life doing fire reports. Used to do them by hand, and I thought I was really sharp. Well, when they first made me do them on computer, I just about had a fit, my gosh, I can't do this. But after I got -- I learned the system, it was way faster, way faster. And I thought I was some kind of report writer, you know.

But it's -- you know, you'll love it. And I've had many producers, small guys, guys no bigger than Paul that come to me and say, Why on earth am I having to make a paper deal and mail it off when I've already got it on my computer, you know. So it may be -- it may be a little catch-up for some of the group, smaller guys, but I think it's doable and responsive to their needs. It could be rolled out.

KRISTEN KOKINOS: And that's exactly what we want to do. I mean, that's our goal. We understand that when you've got regulations that really have existed
in the same format since the 70s, that, of course, there are lots of things that have to be changed and updated.

How that ends up being implemented, because there are so many things that need to be changed and updated, that's pretty important. And we adopt that. We want to make sure it can be done and it's done properly.

TALEE REDCORN: Back when I was on the
Minerals Council Number 1 from 2006 to '10, we brought in a group called Clearinghouse Group out of Houston. And we were considering looking at different ways we could lease.

And one of the things they had just completed was a big lease sale in Louisiana where we -- they kind of broke the mold on how we do business here. There were large chunks of properties going for auctions. And so we were considering that.

So going forward, I would like to see that it be Osage Tribe through their sovereignty decide if they would like to explore this avenue where we do block leases that are bigger than what we do today and have a heavy -- and at that time, we were required to maybe even have an auction in Houston.

And all the information would be available online and see if we can compete on a bigger scale to get more revenue from our lease sale.

So going forward, I would like to see if that's
possible again using Osage Nation as our -- to be able to

decide that, if they want to go forward. Huge block

leases like we see in Louisiana, huge block leases like we

see in the Gulf Coast, and then get more and more players

involved in the leasing process, not just our local folks.

So kind of think even bigger on leasing, how we're going
to handle our leases.

CHIEF STANDING BEAR: Excuse me, but I have

a Title XI Elder Program that I need to be at at 1:30.

Chairman Waller and I are of the same mind. And so he

would honor me if he would speak for me today, this

afternoon on anything. We're thinking the same way. So

may I be excused?

KRISTEN KOKINOS: I would like to move

forward and maybe start addressing some of the broader

issues that we know with the current regs unless anyone

has any additional comments they would like to make just
generally.

CHARLES BABST: Well, I really enjoyed the

breakfast things.

CYNTHIA BOONE: This is Cynthia Boone. One

of the things that I was looking forward to in terms of

the negotiated rule process was upgrading the old regs.

By history, it's been our mom and pop organizations that

have kept us going.
We have had the bigger companies come in, the Encanas, the Devons; they're gone. I have been talking to some of my smaller oil producers who have told me that if these regs were to have gone through, that it would just shut them down. They would have no reason to be here. There's no incentive for people to come here. And what I'm hoping is in this whole process is that we'll have a way that we can market and develop what we have here, our greatest asset, our oil. Thank you.

REBECCA SHER: To that point, I think that something that came up in our lawsuit challenging these regs again was the economic or missing economic analysis of the impact on small businesses and small producers. I know that is not something that, you know, we can demand that the United States do.

But I do think that to the extent that you can have one of those done, that would help maybe small producers understand the extent of what, you know, improving these regulations will cost them, you know, and with data supporting, that could go pretty far.

KRISTEN KOKINOS: Certainly. And moving forward with revising the regulations, there would be a regulatory economic analysis conducted.

KRISTEN KOKINOS: I know Galen already hit on this a little bit. But one of the biggest issues with
the regulations as they currently exist is the valuation based on highest posted price. It's highly manipulable and so there's a lot of issues with that.

Mitch can actually speak a little more on some of the issues that ONRR has seen and renewing the highest posted prices.

MITCH MOUTON: Okay. So first, I want to talk about that discussion, that is, the pricing discussion that we had before the Minerals Council, the Federal Government and so on and so forth.

So I made myself a little note here. As has been mentioned, the current regs have not been updated since 1974. And lots of changes have happened in the oil business since 1974.

We all have agreed here this morning that these regs need to be brought up to date. So I want to talk a little bit about our discussions that we had about pricing. Current regulations offer a value of not less than the highest posted price by a major purchaser in Osage County Oklahoma.

In the proposed regulation, that's the one that failed to be finalized, we had changed that to the average of NYMEX daily price reported at Cushing, Oklahoma, for the month in which the oil was sold. That change was proposed to address declining price issues in Osage
As Galen had mentioned, the price of oil in Osage County was actually selling for less money than the wider market areas in Oklahoma and around. Okay?

You guys have gotten to the point where your prices were at the bottom. And not anywhere near what they should have been. They were far below.

So that was a problem as Galen had mentioned. The previous Minerals Council, which some of you were on, that was a problem. And so that was one of the things that we tried to address. So what we came up with was NYMEX.

Now, you may ask the question: Why NYMEX? So here's my explanation. During that process, in fact, the subcommittee process, we actually looked at several pricing benchmarks, several options for how to bear the price of oil.

The one we knew that did not work was the one we're presently using which is highest posted price in Osage County. There's reasons for that. Okay? One, Osage County is a small area for pricing oil trades. Okay?

It's just one single county in Oklahoma.

So there were four issues that we wanted to address when we looked at these various pricing mechanisms. One was whatever benchmark that they used for the price of oil had to be appropriately applied in Osage County. In other
words, you couldn't take Alaska North Slope. It doesn't work for Osage County, Oklahoma. So the benchmark needs to be appropriately applied for Oklahoma.

Two, it had to be an accurate reflection of prices in the Oklahoma oil market which we had established that highest posted price in Osage County was not an accurate reflection of the broader Oklahoma market.

Number three, it had to be something that was widely published meaning you didn't have to go run down to the agency to find out what the price was. You could look it up online at your local daily publication. It had to be widely published.

And number four, it had to be independent, meaning, there wasn't a way for somebody to manipulate that. Some large producer can manipulate that if it's just Osage County. The biggest buyer in Osage County can set your price. We didn't want that. So they wanted it independent.

So we began looking at all these various indexes that we could use. And in the end, to make a long story short, the only one that met all four of those criteria was NYMEX. In fact, NYMEX is used in probably 90 percent of all the oil trades that happen across the United States. And it's priced at Cushing which just so happens to be very close to Osage County. And it's -- it was the
price that was the best.

So we ran some analyses on that to see the price correlation between NYMEX prices and prices in Osage County. And as Galen mentioned before, there's like a 99 percent correlation. When NYMEX moves up, highest posted prices moved up.

The highest posted prices were dragging way behind it but it moved the exact same direction. So we decided NYMEX was the appropriate benchmark to use for pricing oil in Osage County. It's the only benchmark that met all four of our criteria. There were other benchmarks, but they didn't meet at least one of the four criteria that we have.

PAUL REVARD: As an Osage County producer, when I put on a new lease, you know, like, I select between several different purchasers. We're fortunate that we do have several. We've got Sunoco that's close to us, you know, just right here in Tulsa. And Coffeyville isn't far.

When we select a purchaser, there is really very little, maybe nickels and dimes difference between one offer and the other one. I don't know that they're all in collusion to set the price, but we don't get NYMEX. We certainly can't pay our royalty based on the price we don't get.
That's like -- has the same effect of raising our royalty significantly. I mean, it would be the same thing, for us to have to pay you or pay the royalty to our prime, our mineral estate a higher rate than we're actually getting.

So my question to you is: How do I, as a producer, get NYMEX? All I get to do is either call Sun or Coffeyville, or one of the other companies and I get what they give me. If one is a nickel higher, but further away, you're less likely to be able to come get my oil in the short notice.

So I would like to keep somebody close by preferably because I would be first on their list for them to come get my oil. But how do I get NYMEX prices?

EDDIE STREATER: If I could ask counsel, Mr. Waller, Mr. Revard, are you speaking for the Minerals Council, or are you speaking for the producers? We're here in a tribal consultation. So I guess we need to kind of know what side we're on here.

PAUL REVARD: From the shareholder. I'm speaking as a shareholder.

TALEE REDCORN: I'm going to interject and say in our last Minerals Council, we voted to have Mr. Revard here. So we want him to be able to listen and provide consultation to Osage Minerals Council. And we do
have a past resolution to do that.

CHARLES BABST: Fair enough. Let me just make this statement. Where's the money going to come from? It ain't coming from us.

TOM FREDERICKS: Well, I think his point is not so much you can't have an arbitrary standard that unless it flows to the producer. It seems like the producer has got to be paid. If he's going to pay his royalty, he should be paid what he got in the marketplace.

CHARLES BABST: That's not what we settled for in the lawsuit. And you weren't there.

TOM FREDERICKS: It seems crazy not to have that.

GALEN CRUM: Traditionally, we have, for a hundred years, had a price that did not necessarily mean that everybody could get. In the past, before HPP was put in, as I said before, it was the highest anybody got anywhere.

One of the problems with that was that there was no market share that was involved in figuring it any way. The case was brought by the producers about this and then it went to the -- IBIA court. And they come back with this HPP price. And then almost immediately, a year or so, the Osages saw that they were getting cooked and sued on it. Is that more or less right?
EVERETT WALLER: That's correct.

GALEN CRUM: Even under the HPP system, even though it's the bottom, there is a presumption that if you're not getting that at least, Osages get that. So there's no point though that producers ever in Osage are guaranteed that they would only have to pay royalty on what they received. It's never been that way.

Even today it's not that way. And one thing that I would like to point out that I think it gets caught up in our discussions sometimes when we talk to producers, and try to talk about what they're getting. I'm talking about NYMEX. We need to make sure that we're saying that the NYMEX monthly average.

KRISTEN KOKINOS: It's NYMEX calendar month average price.

GALEN CRUM: Right. And that makes a difference on whether you're getting it that day or not. And it makes a simpler system, for one thing, because you have it out in front. That's a whole different direction.

But Paul, there are a lot of people. And we need to get this word out there. There are a lot of people that are selling their oil on a contract basis. As we look at the sales right, a lot of people are selling it on a contract basis where they're selling it for the same price for all month.
And those are the guys I look at to close this when I got through there. Because a guy can sell on a high day and be right up there with the NYMEX monthly average because the monthly average goes up and down. So if you sell it at a high point even if you're pricing well below NYMEX, you could still hit it.

But if we look at those records -- and I would be willing to share those -- as a matter of fact, I think we should share it with everybody. Because the producers, the way it's working right now the HPP being the (indiscernible) for the market, you're our sales representative for our oil. You're negotiating deals that we are not a part of.

PAUL REVARD: We get what they give us. We don't have any say-so about it.

GALEN CRUM: Well, apparently some people do. Because even small operators are selling it for higher.

PAUL REVARD: I would change tomorrow.

GALEN CRUM: Well, that's happened. I'll tell an anecdotal story to let you know. And this has happened to me a couple of times.

But this was a pretty big outfit. They weren't like you. A guy wrote us a letter during this process telling us, the sales guy from a company, a longtime Osage
company, operated outside of Osage too, but a long time Osage company. Said we can't get NYMEX, absolutely cannot and was -- in the letter telling us how dumb we were for putting that in there.

So I called him up. And I -- he was going to do it when I did that graph stuff during the process, we did -- we took the data and we made up some graphs to show oil is being sold $4 above and how much, you know, there's five or six of those companies that are selling above. He happened to be one of them. But his was never above NYMEX. But it was above highest posted.

And I said, It looks like you're selling your oil for about $1.60 if I recall above highest posted. We don't know what -- we don't know what their deal is. You guys make the deal, we just see the result.

So he said, Well, yeah; it's a little more complicated. But yeah, that's what I get. I said, Do you really think you're getting top price? Now, remember, these prices are done in the dark.

When Paul is operating, he don't get to know what anybody else sold theirs for. In the old days, he got to know because he got to know -- somebody about how much to pay royalty. But the deals are done in the dark now.

This guy says, Yes, I'm getting the highest. I know my guy. He would never cheat me -- that wasn't the word
he used -- and I know that I'm getting the highest.

And I said, Right now today, the average price paid was $2.40 I think at that time above the highest posted. He was getting $1.60. So he was getting a dollar -- his guy that promised him he was -- in the same company that was selling those other guys three or four dollars higher, looked him in the eye and promised him that he was getting the highest.

I checked. As I say, I check these things all the time. Very shortly, what he was reporting was NYMEX and above. That guy went back and said, You lied to me, you've been cheating me, you've been cheating the Osages along with me. I doubt if he said that, but that was the case.

And now those guys are selling higher. And so when this system, the highest posted system, as Mitch pointed out, depressed the whole price all over Osage as compared to the surrounding area, they took that, those purchasers took that power and they cheated all of us.

And the manipulation that that price even showed up during the last -- toward the end of the last of this process when they -- when they thought the rule was going into effect, it suddenly went from $2 a barrel less to under a dollar a barrel less.

When these guys -- if you go back and look, when
these guys announced that they weren't going to have the
rule, it started creeping back up to where it's now back
up to above $2. Those purchasers are using this system to
cheat all of us, you and the Osages.

PAUL REVARD: May I say again, our Minerals
Council, if I'm not mistaken, does our Minerals Council
still have the right to take its production in kind?

GALEN CRUM: Yes.

PAUL REVARD: Well, that's a significant
amount of work. That gives -- the Minerals Council has a
lot more leverage, I think, with the purchasers because
just like what you're referring to, you're referring to a
larger purchaser who had some stroke.

But little guys like me, I could threaten Conoco or
Sunoco or any of them, and they really don't care if they
miss out an extra ten barrels a day. But the Minerals
Council could exercise its right to take production in
kind and negotiate a better deal for the oil. And then
that would drag little guys like me back up to match the
Minerals Council's price that they were able to get if you
all -- Has the Minerals Council considered marketing its
own oil?

EVERETT WALLER: We're not agreeing to
discuss that. You've got to remember, you're here on
our--
PAUL REVARD: Right. I know.

GALEN CRUM: I would suggest, I can -- I can show you some small guys. I don't know why they did it, but they did it. We're not involved. But I don't know how many barrels, how many times you sell oil a month. I've checked yours. Sometimes you sell at the average price and above.

PAUL REVARD: I wouldn't know.

GALEN CRUM: By accident perhaps but it does work out that way. But there's a guy that I can show you that only sells the oil maybe four times during the month, and they're always above.

And I don't know why he's so smart, you know, how he got the deal done. I can only guess. But I know he did it. So he's always above NYMEX average. And some of the other are selling exactly Osage NYMEX average, so you know that's a deal they negotiated. I mean, it will come out exactly.

TALEE REDCORN: Thank you for everyone for your comments. I wanted to point out that during the time that we were discussing the negotiated regulations, this was kind of a hard train to kind of pull to a stop. And I counted up three Council members approved it and 13 voted against it while this thing was rolling out.

So we were talking about the people that were on the
Second Minerals Council, and people that were on the Third Minerals Council and counted them all up when we were doing this.

So my first question -- I've got two more -- is, you know, if we're talking about Tribal sovereignty and the recognition of our ability to make these decisions, I question why this thing continued to roll against resolutions that were passed. And I think there were three that voted to stop this thing.

The second thing is when our attorneys went to -- went to work, we had an economic assessment from Dr. Evans. And Dr. Evans was able to demonstrate the negative impact economically in the state regarding the direction that these decisions and how that would impose on the economy as a whole.

So it brings to my question is we need the Department of Interior to move forward with this. And we appreciate the effort. But I would like to see if that -- if we could have that extra layer of an economic analysis, again going back to the shock factor, that we don't shock our community and our entities around that are trying to maintain their work, their work flow, get their work done and get the royalties to our shareholders.

The third thing is I was told -- I'm hearing 20 percent. I think it's a little bit higher on our small
producers. I'm thinking it's up to 50 and more percent. We're talking the small guys. That's my general running knowledge of what's going on in Osage County.

We've got tons of folks like Mr. Revard out there. And just going on stories, I mean, I've heard story after story after story on our small producers. And one, I, just as an example, I coached his son. And we had a soccer team.

And I convinced him, Man, hey, Osage County is the place to be. But he laid out the impact of this, and how, and his wording says that I will give the Osage Tribe an X amount of money over what I'll get in Pawnee or I'll get in Kay County, which he was operating in Tulsa County which he was operating, just for the privilege of being here in Osage County.

He said, Thank you very much. And he left. And I'm just using one example. It was a close friend of mine. But the economic impact, I can't say enough what it did to our small community that don't have the leverage as Mr. Paul Revard is saying.

And so I would like to see if we do roll out, that that economic assessment be completed that we don't just grab a value or grab a methodology and roll with it and then hopefully we can absorb it.

And again, I don't think it's 20. I think it's
higher, a lot higher on our small type producers like this gentleman here. So my feeling in this chair is I'm for better value. But we've got to do it smartly.

We've got to do it with an economic analysis. And that's what I would ask that we do to complete that. We look forward to getting that kind of feedback from folks that are experts in this field.

So we don't -- and if we don't ensure growth in our end, we watch this thing go forward in my last two years, two and a half years on the Minerals Council. I'm seeing things go downward, seeing our payment going low. And then, of course, when we discuss among ourselves, it's always someone feels this way and someone feels that way.

But I think on the whole, we're getting regulations that keep us Osages and our communities going and vibrant really taking a hit. And I'm feeling it.

I could talk to people that I see in the Tribe that are working for the Tribe that used to be working in construction, used to be working in the oilfield, they're all pulled back in Osage County and working and doing other things.

I saw one producer working maintenance at the casino, saw his name tag. I said, Oh, my gosh, you know. I'm just seeing it over and over and over. Now, we can talk about the price of oil. And how that -- and I agree
with you.

But if we could somehow tie the economy with the direction we're going with the decisions we're making, I would like to see that. That way, you know, we're not heavily impacting our community with something they just cannot absorb.

EDDIE STREATER: With regards to the economic analysis as we discussed, as we discussed with Rebecca a few moments ago, that will be undertaken. And that will be part of the record.

With regards to the impact the regulations have had on the county, we have met. The negotiated rule was never in place. We have always been operating under the old 226. I can't speak to any more than that on how it's impacted the economy here within the county.

We have never operated within the negotiated rule. It has always been the rules the way they have been since the last revisioning in '74. And that's why we're here today looking forward to how to implement some rules that we know need to be changed.

We can talk about no impact. We're going to have some impact. Hopefully, we will minimize that impact. So we just can't go forward with a set of rules that have been in place for 50 some-odd years. It's not the industry now.
And the impact may be a little bit on the producers with regard to reporting this. It's asinine to be doing it that way. And that's what we need to address and make it easier in the long run.

GALEN CRUM: I would like to make one comment along those lines. You're right. We never got that in place. But we also had other -- other issues going on with the environmental stuff, you know, with the lawsuits and all that.

I would -- I would propose that probably the greatest holdback to any industry, oil industry or anything else, is lack of understanding of what is going to be going forward with it. Confusion on what the rules are.

You know, it's been my experience that no matter what the rules are that you put out, you know, in any industry, pretty soon people learn how to work within them, around them, whatever, and they can go forward. But uncertainty about what it is, I think, probably has affected the Osage.

So if we didn't put anything in the (indiscernible), we did put in some stuff on the environment that I'm not arguing that we didn't need to do. We're now working on that as a Council with you to fix those problems.

But the uncertainty that's still hanging around is
going to be a drag on the Osage. And I think probably
greater -- this is my opinion -- I think probably greater
than the implementation of the vast majority of the rules
that were in the rule.

Eventually, people will know how to do it. When
they don't know what it means, you know.

For instance, if you come down here with valid
security measures, valves and meters and stuff, the second
they talked about that, suddenly, the propaganda was that
you're going to have to change 15 valves on a -- and
that's just not the case.

You know, we need to talk sensibly about what the
costs are going to be, what the needs for them are, and
then -- and then have some uncertainty or take away the
uncertainty of what goes forward. That's what held us
back up and above 20-some-dollar oil for a while and now
we're in the 40s when we were a hundred. That's
everyplace.

But the problem was it was a greater impact on
Osage. I will say that. But I believe it came not from
the regulations, because they were in place, but the
uncertainty about what was going to be, you know,
implemented.

KRISTEN KOKINOS: We've got to remove some
of that uncertainty and also just simplify the processes
of all of them to extent that's possible. Obviously, when people know what's expected, it's easier to buy and so that allows people to move forward in an easier manner.

I would like to inquire to Mr. Revard or anyone else that you've spoken a lot about the NYMEX calendar month price. We need to find an appropriate benchmark, you know, highest posted price. It needs to be independent. It needs to be objective.

I mean, are there other pricing benchmarks aside from that?

STEPHANIE ERWIN: Do you think the BIA can develop regs to enhance our resources, our recovery, instead of putting themselves first?

EDDIE STREATER: Well, Stephanie, we -- obviously want to develop. If we go forward, we want to develop the regulations in conjunction with the Minerals Council. Our duty is to administer and over production, not so much develop the estate. That's the Minerals Council's purview there.

STEPHANIE ERWIN: Well, everything I've seen in the last two years since I've been on the Minerals Council, everything has been pro BIA. You all have done whatever you can do to protect yourself from liability. I understand that why you're doing it.

But in return, our minerals estate has dwindled.
And we need to turn that around because that is also your job.

EDDIE STREATER: We are bound as the rest of the Federal Government by certain laws. We need to be. That law does not bind the Osage Mineral Estate. It binds us, the United States Government. And that's a distinction apart from 226 and any regulations therein.

STEPHANIE ERWIN: But it's also your job to enhance our recovery to get as much as we can out of the minerals estate. Do you have any plans for that, strategy for that?

EDDIE STREATER: There again, our feelings are that's the Minerals Council purview how you're going to move forward. I think we will bring that up with the leasing, things of that nature.

TALEE REDCORN: Just a quick comment. I remember, I think it was Paul a couple of years ago, some other operators, just stuff that came out, got some feedback when we went to Hominy. Just don't even have the number of valves that was needed to get everybody in compliance. Little things like that. It's kind of a shock thing in your community and it's hard to -- hard for us to ignore.

EDDIE STREATER: Yeah. And those are things that we recognize just as a -- the reporting with
ONRR. There's things that have to be done. But with regards to the valves, we had public meetings that were not part of the negotiated rulemaking process, but actually part of the implementation of the rules.

And in those meetings, we had certain individuals that had a vested interest in selling valves get up and start this ground swell of how many, you couldn't get them, "but let me hand my cards out to you" type of activity. And Richard can speak to that.

RICHARD WINLOCK: Yeah. At that meeting, we actually advised all the producers that they did not have to replace all their valves. If they could some way or another seal those valves, that was acceptable. They did not have to buy all new valves.

EDDIE STREATER: And as Galen said, it goes back to the uncertainty, and some of that being fueled by the some who benefit from that uncertainty. But we can do a better job of getting that out there. We can do that.

REBECCA SHER: As stated in the regulations as well, it's something that they can provide a different type of seal for to show that it hasn't been opened or tampered with. It doesn't necessarily have to be a specific type of seal.

PAUL REVARD: The valves, even though they were expensive to replace -- I replaced all mine -- some
of we had to dig out of scrap piles because the supply stores didn't have any new ones in stock. They got some old ones and sandblasted them and made them useable.

But I thought it was a little bit ridiculous to have us put the sealed valves on the bottom of all the tanks. You didn't require any locking mechanism for the free pad on top of the tank. And they called it a free pad for a reason.

That's where if you're going to steal oil, that's the easiest way to get it. That's the biggest opening. You don't have to open the valve, you just lift the lid, drop your vacuum hose in there, pull out what you want, and take off with it.

So what was -- I never understood what the point was to have the sealed valves along the bottoms of the tank and across where they connected to each other if you weren't going to have one on the free pad. Thank you.

EDDIE STREATER: Let's go ahead and break, then, for lunch.

(Whereupon, there was a recess taken.)

EDDIE STREATER: We're going to go ahead and get started again. Talee had the floor but we'll give it to him when he comes back.

So until Talee gets back, does anyone have anything that they would like to discuss with regards to the
valuation, we can go forward on the valuation part or we
can move on to the next section. Or if the Minerals
Council wants to try anything outside of that, we can talk
about it.

CYNTHIA BOONE: I just want to know, later on
you said that you were going to be doing an economic
impact study. Will that include looking at the
production?

KRISTEN KOKINOS: Yes.

EDDIE STREATER: Current and past, yes.

CYNTHIA BOONE: That's what I was
interested in, yes. Thank you.

KRISTEN KOKINOS: Any other comments on oil
and gas valuation? Or would you like to move on to the
next possible topic?

GALEN CRUM: We didn't say anything about
gas.

EDDIE STREATER: Well, and that's -- yeah,
we can certainly visit about that.

GALEN CRUM: My experience is this is
complicated both in what, how to do it right, and the
changes that would, you know, need to be made to get it
right.

CHARLES BABST: Galen, I think it's hard to
figure out what's right.
GALEN CRUM: Yes, yes. That's true. That too because historically, what we have now is the producers are making gas contracts, sales contracts with people to sell the gas that they produce.

Very few of them are actually primarily gas producers. So oftentimes, what the -- what comes down is that they have to find a marketer, get rid of the gas and produce oil. And so they're -- and we are not involved in those purchase contracts.

The BIA gets to see them, but as far as I know, none of them was ever turned down because it was bad for the Osages. I haven't been able to find one that was. Perhaps historically.

So what we have is a limited number of purchasers that are -- and their area. They're spread out in area. So they're kind of taking advantage of the situation, in my opinion, in what they're doing. But as far as the Osages are concerned, the BIA has very little regulation on how the gas is to be measured first off.

There's no benchmarks. In oil we have a benchmark of HPP on how to be valued. There's no benchmark being used across the board on what our royalty gas should be valued. And I want to stress this every time I'm talking here is that I'm talking about royalty amounts. Same way with oil.
You know, what they sell their oil for is really not our -- I mean, we have to be concerned with it but it's not our place to tell them what to sell it for. What we, the Minerals Council, the Osages, the BIA should be worried about is what the value is for the royalty.

And right now we -- we have contracts that give away as much as 70 percent even of the gas never gets paid for got to the producers or to the Osages, of course, because we just get a percentage, whatever the percentage is of the sales proceeds that the -- that the producers get.

So if it's given away beforehand, I think given away, they have made a contract that nobody gets paid for that; the pipeline just acquires it. And so we're -- it's a smaller part of our total income picture. And it's -- for most people, it's a smaller part.

For most producers, it's a smaller part of their income picture. So they're not as concerned about it as what they are about the oil sometimes which leads to them not, you know, perhaps fighting aggressively to get a top price and to get a price measurement.

They're happy to get it done in an official way and be able to produce their oil. They may not be happy with the deal that's been offered to them but, you know, they feel like they need to produce. So to Chuck's statement, yeah, it's hard to know what to do.
But the position that was taken by the Second Minerals Council that went in to try to solve the problem is that we felt that the Osages should get paid for a hundred percent of the gas that we don't give any away on it, that the gas would be measured at or near the wellhead, and then tested for MMBtu value.

And then the MMBtu value would be applied to the price that is published by ONRR every month as the OK -- or the Oklahoma Double 1 price. That was the position that was taken within the rulemaking.

There's other ideas that's been thrown out, you know, redoing contracts and all that kind of stuff. It's starting to get better contracts. But what we saw in the deal as the committee, was that it would take for, you know, a long time for attrition to do away with those contracts, and for us to start giving away our oil.

So by doing the keep whole method, you measure the full MMBtu value, you measure that at or near the wellhead so none of it is taken off beforehand. They could still, of course, use it on lease. That was still left in there. But anything after it left the lease -- like in the current rule has to be paid for by whatever the standard royalty was for that lease.

Like I said earlier, doing it that way would require some infrastructure for some of our smaller outfits. The
bigger ones already know. They're measured, they can tell you in Dallas or someplace, wherever their headquarters is, which is what that gas is producing, how much it's doing and whatever.

But others of it don't even really have a measurement at the wellhead of any sort to be able to pay it. And previous regulations did not actually spell out in any way that you're supposed to set up a proper metering device to do it. It just says meter it -- what was the term -- preferably by the -- now I've lost my term -- by pressure differential, pressure differential method which is, you know, anything from a drum to a meter, you know, proper meter.

So there was nothing told them, you know, how many feet does it have to be from the last obstruction, how many, you know, for this diameter of pipe. Even to say that the diameter pipe is true and not just some pipe off the yard.

There is nothing within the regulations that spells out how to do that currently. So we looked at going to industry standard doing that. And what we did was it was brought up to us about BLM zone -- or on shore order -- I get confused -- 5 or 6, whichever one is for gas. One of them is -- it's 5? For 5. And that they had all of that in there.
They had this industry standard plus they had some mechanisms for determining the kind of -- what consisted as a serious violation or less serious violation. And then there was also stuff in there about less than a hundred MCF.

All that stuff we thought would be, you know, probably helpful to put in. So and we didn't want to reinvent the wheel. And we figured the Government would be more adept at enforcing it if they had a model on how it was being enforced otherwise.

CHARLES BABST: Let me ask you just a factual question because I remember when you talked about this, I just want to make sure I understand. You're talking about the discussion that I recall was that folks, you know, producers were in a position where they were essentially required to take whatever price the pipeline company would agree to pay them or flare the gas and pay a royalty without getting any sales at all.

GALEN CRUM: Well, yeah, there is that, but of course EPA is going to step in at some point.

CHARLES BABST: Right. But I mean, flaring still does take place.

EDDIE STREATER: And with regards to this, as Galen said, this is a really complex issue on gas valuation how you get paid. And I think you will see that
in private industry as well as Government. I mentioned ONRR; they don't have this locked down either.

You've got a bunch of costs in these gas contracts that can drive down where I've seen in Pennsylvania, for example in the news here shortly, that individuals are on the negative side. They say they owe, the mineral estate actually owes the way that they have done the transportation costs, the treatment costs.

They have hit it with all these tariffs until it's valued to nothing or less than nothing. And that's definitely something that we have to address.

GALEN CRUM: And that's the testimony we got from Mitch and from his senior counterpart, Paul Tyler there that a huge percentage of the enforcement problems they have on gas production and gas collection is within those charges.

Are they real? Are they made up? Are they actual? And so they, you know, BLM and them end up in enforcement problems all over trying to see whether those downstream charges are real.

That was another reason we went with simple. We thought what's the simplest way we can get the most value out of it. And that's one of the ways that we felt that we would. And with that keep whole and measure it and one price.
So we were trying to -- no offense to the BIA -- but looking at their ability to run things in the past, we did not want to make it more complicated than what we had to to make it work. And we felt that we reached something there.

Now, is that a perfect method? Is it, you know, I'm not here to say that. I'm just trying to explain what -- what the new rules said and what the old rules said. That was my whole point of speaking here. And that there was definite reasons why we selected the way that we did on that.

And one of them is that we would immediately -- and this is not necessarily good news for the producers -- but we would -- the Osages would immediately be able to start getting paid for the full amount of the gas at a reasonable valuation and a reasonable price.

EDDIE STREATER: If I may, Talee had the floor at the end of lunch.

STEPHANIE ERWIN: Why did you let him (indicating) talk?

EDDIE STREATER: Well, Talee wasn't in here.

TALEE REDCORN: Talee Redcorn, is the discussion on gas? Is that --

EDDIE STREATER: Well, you had something
right before lunch. It's whatever.

MICHEL MOUTON: It was on valuation. Go ahead.

TALEE REDCORN: Well, okay. This is on gas. I spent several years as a research engineer with ConocoPhillips.

One of the things we did was to do a total assessment on any kind of process out there was handling, how are you going to handle the gas, the off gas, et cetera. So we did a lot of research on that end.

So coming into the Minerals Council, my experience has been is that we have had a set standard or a set method or way to value after that. But I think it didn't allow enough flexibility because we do have the issue of liquids in the gas.

And we have the big issue of quality of gas. Or we might have an issue with a contract and how those different types of components in the gas stream could be sold. And I think if -- I would like to see, going forward, taking a little more time to discuss these issues with experts. And maybe even have an economic, you know, determination with our gas sales.

We just don’t do it one way. We might be cutting ourselves short. And maybe another way we want to handle it. And one of the big ideas that’s come lately is the
treatment of the liquids, peel off liquids and those things will be a lot more valuable than if you burn it in your Btu value and you sell it at your sale point.

So issues like that, I would like for the Tribe through their sovereignty to have that flexibility to be able to determine how we're going to value our asset. I think this is just one of the issues that we can, going forward, we can grow.

You know, I'm really interested in getting the best of the folks that are dealing with gas sales have our ability to communicate with those kind of consultants and then come forward with a solid plan which I think is growing. But I'd like to be able to jump into that aspect as well.

Going backwards, looking at the way the Bureau handles the oil side, it's fantastic. I mean, we've done some research back 2006 to '10. I think on the field side, you know, our guys are really good at handling accountability for the oil sales.

And but I think when it comes to gas, I think there's room to grow on all sides. And I think even at that time we had an approval from the Bureau to see if we could grow in that aspect. So I would just like to continue that effort if we could somehow grow even better with our gas to ensure that we're getting the utmost.
But also we participate in the sale point wherever we want not so much as we're told we're going to sell at this location at this with this methodology. Is there something forward or backwards or maybe even getting more involved in where you sell not only at the sale point but in the network, you know.

And of course, there's a contract that come into mind which that's been brought up. And we've looked at a lot of contracts. We have a gas consultant. So the contracts that we're looking at, we're not doing well, and perfect contracts. I think we need to get better.

But I just want a little bit of flexibility that we could grow with this using our Tribal authority to do that. Thank you.

STEPHANIE ERWIN: Okay. I'll make this short and sweet. My name is Stephanie Erwin, the Osage Minerals Council.

Most of the gas buyers here in Osage County; there's Kinder Morgan, a/k/a Scissortail, I would seem to think and I would say, that they're allegedly price controlling, price fixing.

Because they buy the bigger part, if not all the gas in Osage County. I mean, and they tell those guys that we're only going to buy 50 percent of your gas, and they take 100 percent of it. We're only getting royalty on 50
percent. So somebody somewhere is getting ripped off.
And it's us.

Now, if the oil man wants to get ripped off, which
I'm sure he doesn't, but somebody somewhere has got to fix
that problem and that needs to be in the regs, how to make
them accountable for the gas. Thank you.

PAUL REVARD: The gas systems in Osage
County, like Councilwoman Erwin just mentioned, there is
one really large one. And that would be -- it is really
the old Phillips system that went through several name
changes and ownership changes.

So they're kind of unique. They are the biggest
gathering system up here. But a lot of our systems in
Osage County are real small gathering systems.

For instance, in the southeastern part of the
county, there's one called Keystone. It's owned by a guy
up in Drumright, Oklahoma, Rick Sellers. And if you -- if
one of our operators wants to put on a well, he's
presented a gas contract.

And it basically is taking a (indiscernible)
contract. There is no negotiation. And just like
Councilman Crum mentioned, these producers, for one thing,
they don't have the 100,000 plus a day wells. Maybe their
wells will come in that big but like Mr. Crum said, most
of them are just casinghead gas that's associated with the
removal of the oil.

   And the reason why he said that you wanted to get
rid of that gas is so that if you're holding back pressure
on it. For instance, if you just shut it in and didn't
vent it or didn't sell it, or shut it in, that prevents
from getting fluid at the wellbore. So they would
probably have the oil.

   But each one of these little systems, whether it's
Keystone in the southeast or the Old Gene plant in the
northeast, I think Scott Duscharm used to own that. I
don't think he still does.

   They have, supposedly, they're not making a lot of
money off of this gas. But that's just what they tell
you. In fact, Keystone is actually making a comment that
they lose money on their Osage accounting system that
they're operating just because it's already in place, that
they're actually losing money.

   But it's a take it or leave it. There is no
negotiating. And Councilwoman Erwin is correct. These --
these 60/40, 70/30 contracts that the producer gets, the
take it or leave it, the part that the purchaser gets, say
the 60/40, the purchaser gets 40, the producer gets 60,
the purchaser is not paid a dime of royalty on the 40
percent. They manipulate the contract, the wording of the
contract such that that 40 percent is some kind of
recoupment of costs, transportation, dehydration, things like that.

But so it's a -- it's a (indiscernible) market. It would be nice if there would be a way that we could consolidate all the systems and have the mineral estate own it, maybe help the brothers from the Osage Nation, maybe the Chief Standing Bear could look into that.

That would be the ideal situation is for the mineral estate to take complete ownership of the -- of all the systems. And lastly, if -- you know, as of the way things are, if Councilman Crum wanted to receive royalty based on the prices that the producers do not receive just like the oil in (indiscernible), it's not fair for the producers to have to pay, or have to pay a higher royalty than what the producers receive.

It's just not fair. And it would just be one more reason and that's what, you know, the Minerals Council is responsible for the development of this mineral state, and this is not something that's going to bring more producers in for exploration. This is just one more thing that might drive our producers out of the county.

EDDIE STREATER: I guess I have a question. Are you saying when you referred to that, is it the keep whole method is what you're referring to, the keep whole method if you went to the 100 percent? Is that what
you're referring to?

KRISTEN KOKINOS: Is the problem that
you're addressing more with the method, the contract, or
the use of the pricing index?

PAUL REVARD: Well, it would be nice if the
producers had other options except for one single
purchaser.

EDDIE STREATER: Well, and in regulation,
and this -- this really goes to a legal question. But the
U.S. Government's ability to enter into third-party
contracts is probably -- we don't have that ability to do
or to influence that contract.

But we, you know, there's got to be somewhere in
here on the gas valuation where we can get where it
doesn't hurt the producers so much and yet still captures
value for the minerals estates. Make no mistake, this is
a tough -- this is tough.

PAUL REVARD: With no competition, unlike
the oil purchasers, the oil purchasers can have different
purchasers they can select.

CHARLES BABST: You can put it in a truck.

PAUL REVARD: But the gas purchasers, it's
take it or leave it. Even if there's another system five
miles up the road, that's too far to try to sell 25 MCF a
day. Okay? And another comment that I'd like to make
from what Councilman Crum had mentioned is the measuring.

And I know that it was brought up as a suggestion in the last regulation proposed to meter at the well, each well. It's just not economical. You cannot justify the expense of a meter at each well.

Because some of these wells, an operator may have a field of 14 wells. And one may make 7 MCF a day, one may make three, one may make 15.

You can't go put a meter on each one of those, especially the 3 and 4 and 5 MCFs. It's just not economical. It would take you 50 years to pay off the cost of the meter. So it's -- it's just -- it's a problem.

GALEN CRUM: And that's the reason we put in there "at or near the wellhead." Because we recognize that you're going to need to, on these smaller deals, to consolidate.

It's just what leads -- the line we tried to draw in the regulations before it left lease. So even then, beyond that, there's the ability to have consolidated leases where you consolidate other leases. And then it can be when it left the consolidated leases.

And what I was going to bring up is exactly what Eddie brought up. We explored the idea of how can we, the Osages, back from the Osage, you know, perspective, how
can we improve this. And one of the first things we tried to find out is if we could change those contracts. And all we got is just what you said. We have no ability to do that, we have no ability to enter into it. There doesn't seem to be an ability for a wilful -- a willingness to interfere with it before they're signed.

They come across the desk and they're passed on through. Now, I'm not -- I'm not saying -- I figure, at least, that that is partly because they don't have any real authority to interfere in third-party contracts.

We don't interfere with the oil in third-party contracts. And they probably didn't feel they really had the ability to do that.

It's something I asked in the last consultation meeting was this exact same question. And the answer we got then was that. So then that leaves us if we're going to solve the problem, it's not going to be with forcing our producers to sign contracts that are amiable to the Osages.

You know, I mean, and their purchasers that are buying it. We just don't have that ability to get in there perhaps unless we say that all contracts have to say this.

CHARLES BABST: I have a historical
question. I know I look like I'm as old as dirt but I'm not. How long has this been a problem and what was done historically? Because we've always had associated gas.

GALEN CRUM: I asked this question in the past, how come we never -- you know, the reason that, like Talee says, we do a pretty good job of measuring oil, is because at some point in the past the superintendent says we're going to use API.

CHARLES BABST: I know, but did they just vent it or flare it or is that what historically --

GALEN CRUM: When I was a kid growing up, you could drive around the country and it looked like Christmastime.

CHARLES BABST: Yeah. That's what I suspected.

TALEE REDCORN: We had one lease just recently, and Ms. Phillips pointed it out to us. You know, they did it this certain way. And they were using -- they leased the full gas in eight other locations. And we had to bring it under compliance.

And so that's just kind of indicative of how the industry ran. So we had to kind of backtrack and kind of fix the problem. I -- I'm in a, you know, what Paul is saying is we might grab the producer and the producer might grab us, and we're going to get in this tug of war.
But somewhere the supplier, anytime we faux pas, the producers, royalty owner, the supplier, these guys that are purchasing gets it. They get the bulk of the value of that gas.

So if we don't -- you know, if we're back and forth with these guys all the time and you guys are back and forth with the producers -- he's a royalty owner, I'm sorry, that's his title today.

But, you know, we're eliminating that big, and I'm talking as Robin pointed out in many contracts we're seeing, 70 percent of these guys are grabbing value. So they're just sitting back and watching this.

PAUL REVARD: The purchasers.

CHARLES BABST: Exactly. But if you can't get them to run a line to your production, --

TALEE REDCORN: I'm hoping that we can have some flexibility where we can approach purchasers and we can maybe talk to the Tribe as a development entity and say what are our avenues to sell this gas. And I would like some flexibility in the regulations as these people grow and mature.

EDDIE STREATER: There again, that's not a regulatory function when you go out. There's nothing keeping the Tribe from doing that right now, the Minerals Council reaching out and attempting to do some
There's nothing that we can do regulatory wise that
will establish an infrastructure in Osage County. We just
have to get a price point that we can live with.

TALEE REDCORN: If we don't enter into this
kind of discussion, hopefully, we can. We can bring some
folks in to say, Are we leaving something on the table.
And if they say, No, you can't even go in that direction,
that really cuts us off.

EDDIE STREATER: I'm not saying you can't.

TALEE REDCORN: I appreciate what you're
saying.

EDDIE STREATER: I'm not saying you can't
go in that direction. I'm just saying I don't know how
regulatory wise within 226 that we can do that. Rebecca.

GALEN CRUM: I was still going. Let me
finish that thought because there was a place I was going
with it.

CHARLES BABST: I'm sorry.

GALEN CRUM: That's okay. You asked a good
question. Since changing the existing contracts looks to
be really tough, even mandating future contracts I think
is problematic. Perhaps it can be done but certainly not
changing the whole.

After we're left with trying to figure out how to
implement a program where the Osages finally start
getting, like everybody said, get paid for the full value
of the oil on however we determine that. I'm wondering if
we -- if, in order to make it -- and this is something
we're going to be getting, because we found no way to
protect the producers, and get the full value for the
Osages.

If it's just a -- there wasn't a path to get there.
And it was part of what I brought up many times, if Eddie
remembers, how are we going to implement this gas deal.
This gas deal is a problem.

And I wonder, as we revisit it, we couldn't look at
it in that tiered fashion that we were talking about on
the other problem that we -- and one of the reasons that
we looked at that offshore order because it had stuff in
there that protected because BLM had run into guys that
were producing less than 100 MCF. And they had some
things in there for them to be less regulated in terms of
how they had to do things.

Perhaps we need to go -- I know we can go further.
We can write -- you know, you guys on legal and us, we can
put in more things in there to help protect those
producers. And you know, in the past, what's happened,
and there was a good reason for it, and that was that the
oil was more important than the gas.
And so the BIA and the Osage Tribal councils all looked at it as well, we really don't want to tackle that gas problem because, believe me, it's a tough problem. And we don't want to foul up the oil production when we do it. But the fact of the matter is those little, you know, the -- like Paul said a while ago, he had a 70/30 contract with him getting the 70, or he mentioned something like that.

That 30 given away of gas on an oil deal is not a huge deal for any one producer to do. It's better for him -- in his bottom line, it's better for him to do the deal than not. But when you take all them 30 percents or 50 percents, or whatever the Osages are missing out on, it suddenly gets to be a big pile of money.

And so we need to look at how we capture that back. And if we can't do it with controlling the contracts, we need to do it with a regulation of some kind that says that we captured before, you know, outside of the contract arena.

And that's what we tried to attack with the method that we put in there. We also had a part that I didn't talk about earlier that talked about the liquids. If it looked like the liquids would not be properly captured by the -- by measuring the total MMBtu value, which it most certainly could be, I mean, that's -- that would capture
most of the value on fairly dry gas but really wet gas, it probably wouldn't.

We did have to put the option in there that the Osages, or the superintendent, could ask that we switch that particular contract over to where, or that payment method over to where we're now capturing the gas first. We get paid for what they're getting for the gas and then we also put in there a cap on what they can charge to capture that liquid.

That's part of the regulation that we introduced. So we tried to do both ways. And that part came from Susan actually. I was dealing with her and she -- and so we put that in there because of the concern she raised that if we stay with just the regular measure, we would be losing some value off many of our wells, so we put that in. So that's one way.

But perhaps on the tier in (phonetic) is what I was trying to get to, the tier in (phonetic) is trying to protect some of these smaller outfits. We wouldn't lose a whole lot of gas because they're not producing a whole lot of gas.

But if we could capture the full value of some of the bigger ones. And some of the bigger ones had to write these deals too.

Devon was one of the first contracts I looked at
when they did the deal out here by old Alco. That would
give away 30 percent off the top until they -- until they
had a value of $250,000 or something like that that they
-- that they didn't -- that us and they didn't get paid
for gas till they made that up. So it's even the big
outfits that are getting rolled by these guys.

    REBECCA SHER: So my first expression ties
back to the ability to influence. I do think it would be
worth it to start mandating a specific contract for all
future gas contracts.

    The one that BIA currently uses for leases, you
know, if we can get set language that has to be included
in all future contracts. My understanding is that a fair
amount come across here (indiscernible) for approval each
year.

    So even though we can't hit existing contracts,
under the contracts clause, but if we can, you know, say
future contracts have to include specific language, I --
how many -- do you have any idea how many you're seeing
each year?

    ROBIN PHILLIPS: No, I don't.

    REBECCA SHER: I don't think it's -- we've
seen I think, like, 10 or 15 just that we've reviewed. So
I think it could be a fair amount of contracts that we
could influence for the future.
And my second question was also for the United States, about how, if at all, the new regulations -- I don't know if you knew this, Galen, but the onshore orders, including Number 5 have been replaced by Federal regulation in the last month.

And I looked through those regulations and they all exclude Osage County or those -- that the ones for onshore order three, 2 times in there. It doesn't apply to Osage County. So if we wanted to use those how we had in the past, --

EDDIE STREATER: Well, if you will just let me answer this while I can still remember. We realized that they were going to change. And Galen was in the negotiated rule as Mitch was.

And the language in the proposed rule, that would have been -- our onshore order language would not have changed with subsequent amendments to the onshore. It was set.

We decided that was the best way to do it for whatever reason at the time. And we have talked about that since then about how we could reflect changes or how it could be written to reflect the appropriate changes so yeah, that's something we would definitely look at.

REBECCA SHER: I don't want to get stuck with the old language.
KRISTEN KOKINOS: Right. So we're looking at different methods, --

REBECCA SHER: Okay.

KRISTEN KOKINOS: -- how BLM onshore orders or other things like that could be adopted or referenced to avoid having the situation where you're referencing now an onshore order that's obsolete, and you're wanting it changed all over again.

GALEN CRUM: Eddie is correct. We adopted that as a document.

KRISTEN KOKINOS: Right.

GALEN CRUM: That read the way it was right then. And in order to update with them, we didn't look at -- at the possibility of being that we didn't want to do it.

But as I recall, he explained to me, it was a similar process of what we're doing right now. If we wanted to update the rule, our rule to match their rule, we had to go through a government-to-government negotiation or a process of some kind to do that.

So we just adopted -- because we did not want BLM having any power here. And I think that is still absolutely. We're solid. We may disagree on some things. But that is one thing we don't want is BLM having any power here. So all we did was reference them much as we
KRISTEN KOKINOS: Right. And we -- and we recognize that complication. And so we are looking at possibly better or different ways to incorporate that and how they could grow over time. But it would never be a situation where necessarily BLM is coming in to Osage County or exercising control or anything like that.

TALEE REDCORN: As a general comment, coming in in 2014, general comment on how this process was starting to roll through. And I'll just use the church term -- I go to church so -- it was like covering a multitude of sins.

It felt like, you know, we had a process being proposed in place. And rather than taking a holistic approach and saying how could we do this business better, how could we on all courts, all fronts, work toward a solution, it seems like we took the bulk of it and handed it straight to the producer.

Now, I'm not here advocating for the producer. But I'm saying the shock value was very big. And I can only say that from watching it with my own eyes, ears, and seeing what was going on, seeing some of the feedback I was getting as a Minerals Council person.

And I think these things are very real. I appreciate your comment these things never rolled out.
But you know, when the United States Government tells me get prepared, get ready, here comes something, I've got to get prepared if I want to stay competitive.

But the comments I was hearing was we're competitive, we're competitive, we're competitive, we're gone. We can't -- with all the things that are rolling out, environmental, the things that are rolling out, this thing is a deal killer for our company. We're heading out. We've got to. We've got to survive.

So that's the kind of comment I was hearing. And I appreciate that but when I say "a multitude of sins", I think again it's laying the responsibility not on the people that went to court.

In my view, it's -- if two people go to court, you're in divorce court or whatever, if somebody is found at fault, then they may want to share some of the responsibility to reshuffle and structure how they're going to do a fix. But it seems to me we're going to make it easy for us to go after this cash and just roll with the process as is.

That's kind of generally how I would explain how I saw the solution being played out. And then when we're trying to defend it, it's not -- you can't defend it in the field. We can't defend it locally. Because the way perception is is these folks out here are seeing...
governmental control and governmental decision processes,
and it's going to roll out on us, and there's nothing we
can do about it.

So that's why again, that's why I voted against it.
And I would like to see the United States, the Minerals
Council, the Tribe, the EPA, we all come together, do a
better job of reworking all of our processes, not just one
people which is these folks are easy to go get.

Yeah, I understand that. But I think we -- and it's
going to impact us because I feel that, the drilling
activity that I see, the I see the numbers all around the
county and the numbers are falling. They are. Because of
the price of oil.

But Osage County has fallen a significantly higher
than Kay County, Pawnee County, Washington County drilling
activity. It happen gone way down compared to the rest of
the state. And so I think we've got a trend here. We've
got a response to something going on.

Now, we can argue is it environmental. But I think
Negreg is part of that uncertainty. Companies are just
picking up and leaving. And that's leaving us with a big
problem of trying to convince people to stay, trying to
convince our shareholders we're looking out for them when,
you know, we're not really all owning the problem.

EDDIE STREATER: Okay. Well, I think
that's why we're at the table, Talee. You've mentioned several times today about how the proposed regulations were affected.

I guess we need to know which part are the ones that are affected so we can somehow shape those. What specific regulations that were proposed to be changed do we need to be shaping as a group here. In the end, that's what we're looking at.

TALEE REDCORN: You're asking me.

KRISTEN KOKINOS: We're asking everybody.

TALEE REDCORN: Well, I can only talk to for myself.

TALEE REDCORN: I would pitch this. I would say I'd like to absorb what we're hearing from the United States. And we've got our consultants and our attorney, and we communicate privately. So I think what you're after is you want to hear this, what do you not like about this? What do you not like about this? What do you not like about this?

Well, give us some time. You put something forward and give us time to absorb it, talk to our consultation and our experts and we'll come back. But if you're out today to get a bucket list of what you do and don't like, yeah, all I'm going to ask is give us some time.

KRISTEN KOKINOS: Sure. And that wasn't
the intention. Today we just wanted to do an initial
pre-draft consultation. We know, because of the prior
efforts, that there were some kind of big overarching
topics or issues within the regs that were problematic
both during the litigation, resulting after.

And so we wanted to just get some input on that
today. But the goal moving forward was always that there
would be a draft provided to the Nation and to the
Minerals Council for your review and comment, and then we
would meet after you had had time to review that
internally. And then we could discuss the issues
specifically with what was in that discussion draft moving
forward.

GALEN CRUM: Along -- a really short
comment. As I'm looking down through your list, these
were some of the things, of course, we beat our heads
against down here, bonding, and some other things. I
wonder, to your point.

It might be well to just go ahead and talk about a
few of those things on down the list. And then maybe you
can get a feel of what, at least on those subjects, that
some of the people in the room feel about it.

KRISTEN KOKINOS: And that's what we wanted
to do today is just get your feel on those larger,
overarching topics before we go back and potentially put
together a draft for your review.

TALEE REDCORN: Could I propose that you put it in writing each and every one of those things. And then we as a team could go and we can bring our consultant, and our attorneys in. And that way we're doing holistically from the United States and holistically back to you.

EDDIE STREATER: Well, we're not here to force any regulation on the Tribe. We would actually like it to come the other direction. We would like it to come from the Tribe, the Minerals Council what their concerns are to us. And we can go from there.

CYNTHIA BOONE: Well, what I'd like to say is with the Bureau's mission to enhance our lives -- I'll just read it to you. You know what it is.

But to carry out the responsibility to protect and improve trust assets. I -- I just pulled, just for kicks and giggles our oil production for 2014, '15 and '16.

In 2014 we were producing more than 13,000 barrels daily except for one month. In 2015, our production, we only hit the 13,000 mark twice. It was lower than that. And now in 2016, we're down to as low as 11,200.

You know, I know that there is something going on out there. We all know it. We've heard it said more than once in this meeting that our production is down, people
are walking away. And the term that I've heard in talking
to my oil producers is not the uncertainty of these regs.
They refer to it as the "threat" of these new regs.

They're not happy with NYMEX pricing, they're not
happy with bonding, there's several other issues. But
it's all in the record because they were all made in
public comments.

And so these things are still hanging over the oil
producer's head. And I've said it before earlier, that
there's a group of people that are not going to stay here
if these new regs are to move forward.

What I want to say, or see is changes that will
increase the investment in the Osage Mineral Estate. And
the way they are now, I don't see it happening because our
production is decreasing daily. Thank you.

TOM FREDERICKS: You know, I think what we
need to do is we need to, like you say, it would be on us
to put the OMC and the Osage Nation, put something
forward. I think we have to look at all of the
regulations that -- I know the BLM has just issued about
668 pages of regulations on oil and gas turned in the
onshore oil orders due to regulation. And they're also
going to come out with some value, I think value
regulations, aren't they?

MICHEL MOUTON: They don't apply here.
TOM FREDERICKS: They don't apply here.

But that's going to be their mind-set because you guys have done it. So we need to look at them to see what's in the wind. That's a lot of review.

I've asked Rebecca to look at it. And she told me it's 668 pages. And so we've got to digest that. And I think we can come back with a proposal. We need to work with the Nation, see what they -- what they want to do.

And if you guys want to work together or you want to do this separate. But we can do that. What I was hoping is we could kind of develop a preamble, if you would, to regulations that kind of set the policy for it.

And I know we had worked on a preamble for the Army and the BOI and Justice for their consultation to try to get them to adopt what the policy would be, and then we could develop the details of the policy after we agreed on some of the preamble what would be the purpose and the goals of the regulations. And I don't know if that's possible. But we should try to do that.

REBECCA SHER: Just speaking in general terms about other items that I have heard the Council say especially in relation to the 2015 Final Rule about issues that weren't included on the topic list today, is there's a few places in the 2015 regulations that the Council previously had authority that was taken away in those
regulations such as the royalty one we've already hit and then also the ability to waive late fees or -- late fees or penalties, too. And you know, we can spell those out. I don't have a list in front of me. But I can comment that the Council would love to have those powers retained in the regulations going forward.

Another issue is the -- I can't remember which number it was in the new regulation, but one of the very last ones that states the superintendent's notice to lessees and orders are considered regulations and must be complied with. I think that having some public comment period allowed their requirement that the Council gets to review those as well would go far as well.

KRISTEN KOKINOS: And just as a note on that point, for notices to lessees or any orders to the superintendent, they are subject to appeal. So there were always appeal rights there. But that's certainly something we can look at.

ROBIN PHILLIPS: As I'm looking at some of these suggested discussion topics for discussion today, several of these apply to leasing such as the bonding and so forth. And there are several problems or issues at the agency right now that the Agency is experiencing. And I really think that we should talk about that as opposed to waiting for the review of the BLM's onshore orders because
my opinion they don't apply here.

But I know that I brought up Number 8, rental for salt water disposal wells located off leases premises. I know that I brought that up before. And I think the Minerals Council said, Let's wait till the next month and start discussing it.

I'm not saying it is anybody's fault, because I forgot about it as well. But it is on here. So if we could proceed in discussing some of these things, I would appreciate it so that I would know where maybe we're going or where we're going to go.

Is that possibility? Good. Thank you.

KRISTEN KOKINOS: Sure.

ROBIN PHILLIPS: Do you want me to go on?

KRISTEN KOKINOS: I mean, you're welcome to, if you'd like.

EDDIE STREATER: Well, I think that certainly the bonding by itself will take up today and probably --

KRISTEN KOKINOS: The rest of the week.

ROBIN PHILLIPS: Oh.

EDDIE STREATER: But we're all ears when it comes to bonding, on how to get a handle on a bond that will protect the service and protect the mineral estate and also not drive the producers out of business. The
floor -- the floor is open, guys, on bonding.

   KRISTEN KOKINOS: Just to throw out some
   figures on the bonding that we had. They're just, you
   know, approximate and general.

   I think we had got some information that the
   estimated cost to plug wells, it was approximately $15 per
   foot if you've got a well that's over 10,000 feet. Or
   between maybe 7 to $10 per foot if it's less than 10,000
   feet.

   Plus you've got the costs of reclamation which are
   widely variable in here, maybe $200 an acre, to $15,000 an
   acre. I mean, it just depends. We know right now the
   current bonding is $5,000 per lease. So essentially, in
   many cases, not enough to plug one well or more than one
   well.

   And the OCC had put out some data on the wells, the
   average cost to them of plugging wells over the last five
   years was about 17,000, $17,000. I know in the Final Rule
   that we remanded, the bond amount was $5,000 per well
   times the number of wells on all of the lessees' leases up
   to a maximum of 25 wells.

   And there was a lot of comment on that. We're
   really open to, and want your input on bonding. You know,
   it's an issue nationwide, not just at Osage. Congress and
   the GAO have reported on it. We really would like your
input.

GALEN CRUM: Like Eddie said, this is something that we bounced all over with. We bounced it off the producers. Actually, what made it into the new rule was an agreement made with the producers on that out there and then they kind of talked like they hadn't done that.

You know, just a roomful of producers and the producers association was driving it. As you said, the current rule is just $5,000 per lease. And that creates a whole lot of problems because not only is it not enough to plug a well, but there's no incentives for people to plug them as you go along.

When you take one out of production, they don't even have to really report that to anyone which would be financial incentive to take it off. If you take one out as you're going along and making money, when the time is right when things are happening good, not necessarily right now, but when you do that and you get ready to plug one, why, it doesn't change your bond any at all; it doesn't help you.

So there was all these things to look at. And I've got to admit what we did was we backed up off of the actual numbers, just like you said. We did the same thing. We came up with about 10,000. And we just backed
up from it and pinned a number on it and punt it. You know, that's how it worked.

But the theory was solid on was that it should be per well. Because that's the way you plug them is per well. So, again, I'm all ears for somebody to tell me how you protect.

And you know, one of the things that hurt when we would hear is the small guys who would say, you know, I can't believe this. I can't pay this. But who are you guarding against with the bond?

You're not guarding against Chaparral or somebody like that because if they forfeit on the bond, they lose; you know, they can't do business here anymore, you know. If they lose the nationwide bond, they can't do business off of that bond.

So the very small guy that could just pick up and walk off, that's the one that's most likely to do it anyway. So my heart, you know, I just couldn't figure a way around that was -- that made me feel good.

And we did what we did on it. And if somebody can come up with a better idea, I'm all for it.

CHARLES BABST: What he said.

TALEE REDCORN: During this discussion on the bond, and I don't recall where I found this information. The Texas Railroad Commission was involved
in a similar problem.

And from my recollection, they had a rollout process, not so much, and again, I'm talking shock value just like I mentioned earlier this morning. I think possibly I didn't see how or why they made that decision to roll out.

But I'm assuming that maybe some economic assessments were done to try to determine the impact on the industry, how it's going to impact not only the -- all the parties involved. So I, you know, I think again, if we could come back to the table and look at the impact, the economic impact of such as a decision just to this, the rates, the NYMEX of the gas, those things, I mean, I would like to see the impact assessed.

You roll all this stuff out at once, and that's what we were facing. So anyway, that's a good example, I thought.

EDDIE STREATER: We did take a look at the role the Commission takes.

ROBIN PHILLIPS: One of the things that the Osage Agency is experiencing right now at this point is we follow this, then 226.6 right now is, as it states, the regulations we're following right now at D, it says the right is specifically reserved to increase the amount of bonds prescribed in paragraphs A, and C of this section,
when the superintendent deems it proper.

Well, right now at this point some of the lessees are having a little bit of an issue when I come back in and say, We need to increase the bond. So I really think that if there was something specific that was specific in here, such as a bond, an amount, that it would help the Agency tremendously because right now at this point, I am experiencing that with the lessees.

PAUL REVARD: I don't think it's quite fair that we have regulations that would be adopted that would be retroactive to the producers when a producer maybe acquired a lease in Osage County with several unplugged wellbores on it. He knew what the bonding was even though Superintendent Phillips, we decided that there's always room in the regulations that the superintendent could, if deemed appropriate, could increase that.

It's something that historically hadn't been done. Somebody came in recently and bought some leases and not realizing that there may be 10 extra wells that they may have to put $5,000 per well. That's a substantial amount of money that they weren't expecting.

I don't think it is really fair. I think that's just another thing, another reason why we might lose some more of our producers if something like that was implemented. To Texas, I'm familiar with Texas. I've
operated, and I still operate lots of wells in Texas.

And what they -- what they have, Texas operators have a certain amount of plugging liability across the county. Wells that are shut-in, maybe they're capable of production but the operator hasn't produced them. And we've got thousands of them like that here.

They have gone to the expense to get cost estimates on a per well basis of what it would cost to plug that well. And then a few years ago, they implemented a little -- I'm going to consider it a program, regulations.

But they started having the operator do one of three things on these abandoned or shut-in wells, temporarily abandoned wells. And this is provided that they have an engineering report that -- a certified engineering report out of house, not in-house, that would testify to the fact that the well is capable of production and it should not be plugged.

So these are the type of wells I'm talking about now. They came in and put a cost per well. One well might cost $10,000 to plug in their estimate.

Another one might be more of a complicated wellbore than they're familiar with and that may be $30,000. So they would send the operator a list when they renewed their permit, and it was, you know, in black and white showing what their liabilities.
They had three options: Either plug the well, which wouldn't be good for the state or the operator if it's capable of production; or produce the well, convert it if it's in producing status; or the third, put up additional bonding to cover the cost to plug that well.

You have those three choices. And that's the way they do it now. But we know that we have operators here that have bought leases years ago. And I'm sure the superintendent is familiar with the Longhorn area where there's hundreds, hundreds of wells.

And I forgot the name of the outfit out of Oklahoma City that operated them. But they may have 6 or 700 wellbores. They don't even know where they are. They were drilled long ago and they bought the property. They're shallow wells, if I'm not mistaken, real shallow.

But you just can't go in there and slap a $5,000 per well bond requirement on hundreds, literally hundreds of wells. I mean, that would be one of these -- I mean, it would just bankrupt them and they would be gone.

EDDIE STREATER: Well, they do have the option of if we incorporated. And we're not saying this is what we're going to use. That's not what we're talking about, but they could get it nationwide.

PAUL REVARD: Well, these -- to get it nationwide, you have to show some substantial financial
statements to get one. You have to have equivalent cash, liquid, to get one. It's really difficult. In your numbers did you say $15 a foot?

KRISTEN KOKINOS: $15 per foot for wells that were over 10,000 feet.

PAUL REVARD: Over 10,000. We don't have anything like that.

KRISTEN KOKINOS: Which we don't have, right.

PAUL REVARD: I don't know what our average is. I would think it would be in the neighborhood of 2,000 feet.

KRISTEN KOKINOS: Right.

PAUL REVARD: But some beginning at 3,000, 3,200. But I don't think you can plug a well in Osage for 5,000.

KRISTEN KOKINOS: No, you can't.

PAUL REVARD: I'm thinking because I just -- I just discussed with the casino people, with our tribe who was thinking about purchasing a lease. And they have contacted me to ask me what it would cost to plug these two wells on that property. And I told them, you know, count on maybe an average of 10, just to be safe. You might get it done for 7,500. It depends on how many zones have been perforated. Because that tells you how much
cement you need, how many plugs. A big unknown on some of these wellbores, especially these older wells. You don't know the condition of the wellbore. Is the casing collapsed? Is there tubing shot off, stuck and shot off in the hole. You get down 500 and you hit something hard, you can't get it, you can get into some significant money. KRISTEN KOKINOS: And that's the problem we're grappling with right now.

PAUL REVARD: It's an unknown. But I'm thinking that an average cost to plug a well is probably $7,500.

KRISTEN KOKINOS: Right. And so the current regs are set at 5,000 per lease, which we know is--

PAUL REVARD: 5,000 per lease is not enough.

KRISTEN KOKINOS: It's not going to work.

PAUL REVARD: But I don't know that it's fair to go back and make something retroactive, somebody come in and bought, for instance, a pumper. We've got a lot of Osage pumpers, and they have picked up a couple of leases.

KRISTEN KOKINOS: Sure.

PAUL REVARD: And believe me, you know, they could mortgage their lease by that lease.
KRISTEN KOKINOS: Right.

PAUL REVARD: It may be one that they pumped for years and years and the operator retiring or dying and left it to the pumper, or gave it to him at a cheap price. We've got lots of operators like that.

If he's got a lease with 13 wells on it and you go to one of these pumpers and say you've got to put up another $5,000 for each one of them, he's not -- he's already mortgaged his house to buy the property.

He doesn't have another 50 to 80,000 that he can, you know, go back on to do it. So I don't know. I just don't know how. And there again, it will run out. It will discourage new operators coming in when they hear these kinds of things. And it will run out and make you bankrupt, so the ones that are already.

KRISTEN KOKINOS: Right. And to the producer that Robin was speaking of, I know she had talked about the current regs. I know when they had revised the reg under the negotiated rulemaking, that provision was updated so that bonding amounts could be adjusted when appropriate.

And there included some separate factors that would mitigate against, when appropriate, such as when someone had been a routine violator, and there were problems like that, and so that's certainly something else we consider.
But the issue of retroactivity for bonding, for people already holding leases is certainly something we're aware of in addition to the, you know, abandoned wells that are all over.

CHARLES BABST: Well, Councilman Crum said, you know, we did the best we could; we punted. And that's a football term. Councilman Redcorn likes to talk about church. And I grew up in church, too.

Nothing will come from this but wailing and gnashing of teeth. That's where this will end up. Bonding will end up with tears. There's no way around it. The only question is how many tears.

REBECCA SHER: My impression is specific to the orphaned and abandoned wells that exist on leases whether they are, as of current leases in lands that are not actively under lease that may become leased in the future.

I don't see current -- what legal authority we could assign liability to these orphaned and abandoned wells for existing leases. At least I know in future leases we could say you take these leases subject to these wells that you're never going to touch and haven't been touched in several years.

But for existing leases, I think that the United States and the Osage Minerals Council have been looking
for outside funding to take care of these abandoned wells.

But it would be my thought that they don't come
under these regulations for trying to assign, just make
producers come up with the $5,000 per well for orphaned
and abandoned leases. Wells, sorry.

GALEN CRUM: When we did this, when we were
working on that rule, there has been three different or
two different comes and back and forths on this with the
owner there. When we were actually working on the rule,
the policy of the superintendent at the time was that if
you don't touch it, you don't own it.

In other words, if you don't go into it, you know,
that's not yours. And so we didn't address that
particular issue in the reg because we -- and perhaps we
should have because I didn't realize it was just a policy
of the superintendent that could then be changed.

Now, why a superintendent would not think that was a
good idea, I can see because of all these wells that are
out there. So I understand their dilemma on how to do it.

And they come to the Minerals Council during my six
years there twice and asked us the question twice. And we
gave them two different answers. One time we said yeah,
don't touch it, don't do it. Another time the Minerals
Council said they should have that responsibility.

So even the Minerals Council were split at that time
on how to solve that problem. One thing I would like to say that we don't want to throw out that we did in the new regs about the bonding, and that's that we instituted a bunch of new financial instruments that would do the bond.

KIRSTEN KOKINOS: That was my next question.

GALEN CRUM: Because what it says right now is surety bond only.

KIRSTEN KOKINOS: Right.

GALEN CRUM: And as Paul is saying, surety bonds are getting harder to find because people are reneging on them and leaving them because these bonding companies are there. And then there's the whole idea of how long does that go on, you know.

When you were bonding a guy that drilled the well, and he leaves without plugging the well, what surety bond company is now liable. So that's a -- you know, that's a problem, another gnashing of teeth that we run into, another gnashing of teeth that we ran into.

So but I really want -- I'm not sure how much help it will be. But I really want to leave those extra financial instruments in. That was -- there wasn't much I thought of that I was proud of about the bonding. One of them was that we did go per well. And the second one is that we put in those new financial instruments that could
be used.

So -- and I know everybody wants to -- I want to throw out another subject really quickly that we need to deal with quickly, I think in terms of time frames. And that's a part of the regs that we deal with with the superintendent and how she has to deal with determining that a lease is forfeited for nonproduction.

The current regs just say she has the ability to say it's not production. It doesn't give her any mechanism to determine how long that is or what to do if you don't want to call it that.

There -- I assume she has the ability to negotiate with people and then say do it. But what we did in that reg was we actually give a mechanism that there was a certain date that you assumed it was going to be nonproduction.

And then they had the ability, the superintendent had the ability to talk to the producer, they come in and say, Hey, I'm working on this well, I'm doing this, that, or the other, and they had the ability to stop the clock. The reason I think that is important right now is we have a lot of wells, very expensive wells, that have been drilled horizontally.

We just had communication with Devon about plugging some of those wells. Well, the way it is right now, if
the superintendent decided in her own, you know, her own policy because she has -- that's all there is in there is her own idea about how to do it, that a year you have to plug them.

Well, if there's no mechanism for her to stop the clock and say, Oh, wait a minute, we know that horizontal wells need an oil price of say $60 to operate. So if somebody had to plug that off, and they put $7 million in the well, and they had to -- or not plug it off but quit producing, because the cost of electricity was higher than they could sell the gas for, the oil for.

Well, there's no mechanism in there for her to say yeah, we're going to give you another six months or a year or whatever for you to either, you know, the oil prices come up or you do something else and we'll kick it out then.

The same way with the -- we have a problem with recycling problems down here in the bin that was causing them to shut down some of the -- temporarily, at least -- we don't know how long -- shut down some of the disposal wells.

Again, an operator could come in and say, Listen, this thing was making money when I could dispose of my water. But I can't do it now. Can we stop the clock until this problem is solved. In other words, they don't
have to plug that off, they don't have to stop.

I think we're going to get inundated here pretty quick with a bunch of those problems. And it would be real nice to say, you know, how is she going to handle that when we walked in there.

I talked to some producers the other day about that Devon deal, saying, did you talk to Devon about -- were you approached about buying theirs. And they told me no. And I said they're wanting out. Maybe you should go talk to them.

But then right away I thought, Now, we've got to solve a couple of problems for them. On some of them, we have to solve that disposal well problem. Others of them, how long have they been shut down without producing.

I know when I asked for the production records, that there was some of them that were started back up for a little while in March. And I assume that was perhaps to help market them so they still were producing wells. Or maybe the price come up that they wanted to do that.

But does that count? Does the year start then? Does it not? These are very expensive wells that when the price comes up, it would make the Osages a ton of money. Maybe not with Devon's operation but somebody else could do them. And I don't want to see them plug off a well that's making 20 or 30 barrels day but it just won't pay
for the electricity to run that dang, you know, deep well, horizontal.

CHARLES BABST: Galen, I don't remember, do the regulations or the leases when you're talking about that one year, did they provide for the payment of a shut-in royalty? I just don't remember.

KRISTEN KOKINOS: I don't think so.

GALEN CRUM: There's a minimum -- there's a minimum royalty that's due as long as you have it in your name.

ROBIN PHILLIPS: Yeah.

CHARLES BABST: Okay. But only for a year?

GALEN CRUM: But it doesn't deal with when she decides that it's been too long. It's totally up to her. And there's no mechanism built in for her to stop the clock.

And we thought that was important for her to be able to stop the clock and evaluate the problem. And I think we're going to run into that very quickly.

CHARLES BABST: You're absolutely right.

ROBIN PHILLIPS: I do have a mechanism.

GALEN CRUM: But it's not regulatory.

ROBIN PHILLIPS: But it's not regulatory.

GALEN CRUM: Yeah, it's just up to her.

KRISTEN KOKINOS: Right. It says here it's
the superintendent's discretion.

ROBIN PHILLIPS: Right.

GALEN CRUM: And I understand that. That's what I said at the beginning.

KRISTEN KOKINOS: Right.

GALEN CRUM: I assume she could do that.

But as we talked about a while ago, it was the superintendent's discretion when those oil wells counted for bonding and then it changed. That could change too.

KRISTEN KOKINOS: Right.

GALEN CRUM: I would like to see it regulated.

TALEE REDCORN: Well, when we first got on the Minerals Council, I worked heavily and hard to get a project going to get our orphan wells back in production. So we got a team together, producers, guys that's been in the field a long time.

We come up with a bailer system that kind of pulled the oil. And the thought was we would take this little trailer rig and go around the county and just dip and pull oil out of these areas.

This would be our -- we own it, we pull our own product out. Well, we got the project together, got the numbers going, everything. We presented it to the BIA. The BIA told us you're going to have to get $5,000 every
well that you pull out of.

And so then I'm hearing a comment over here from Mr. Crum, you know, hey, we've still got this problem of six months. And I'm very aware. And I think Ms. Phillips is doing a great job with that. But I think the game has changed.

I think we're still trying to use the old playbook to come up with a new process. Even when I tell you and Mr. Streater, let's do this a different way. Yeah, I understand. But how do you -- what do you not like about this?

Well, that's the old playbook. We're still talking about this whole system that you guys put together, put out in front of us. And we're still talking about a solution to that process.

And I think we're totally ignoring what the Chief is saying. There might be, and we would like to explore a way of really holistically coming back and solving this problem, and doing it that we protect our sovereignty, and we look out for the economic benefit of our asset.

So I think we have a problem with a lot of folks that still want to do things the same way. Because, you know, I think we've got a form in the BIA. We've got several forms that they use. And what I run into is what you're proposing doesn't fit the form. Literally, I get
that feedback.

And that's the kind of folks we've got. They cannot think past the form they have to fill out. So if we can't somehow grow beyond the form, get the experts involved, redo the process, I think we're going to regurgitate a failure.

So I don't know why we still can't discuss a holistic approach to solving our problem. And I think sovereignty is the issue.

But for you all to come and continually say, Okay, I hear what you're saying; but what do you not like about the plugging? Okay, what do you not like about the NYMEX? Well, it's the holistic approach. And I keep saying that over and over.

We'd like to get our experts. We've got one here. He's got -- we've got several. I talked to Susan. We brought a lot of them last year to our Oil and Gas Summit, and listened to them on measurement, on gas measurement, how they do it in other places. And I just don't think those things are being discussed in these -- in these conversations.

So I'm really interested in saying if we're not going to do a holistic approach, let's -- you know, we went through a big lawsuit. We're talking about a multi-million dollar settlement here. And then right now
the only thing I'm hearing is the producers are still
getting the whack of it.

And then when they're hurt, we're hurt. So anyway,
my hope is that we can grow past this August 10th of 2015
settlement and/or lawsuit. We had to stop the train by
going to court.

Why can't we sit down together and solve this
problem? Do we still have to be dictated to by the BIA on
how we're going to solve this?

KRISTEN KOKINOS: No. And we want this to
be a collaborative approach hearkening back to what Chuck
was talking about a little bit earlier after speaking with
the Chief.

We don't have the jurisdiction or the authority here
today to say okay, this can be codified the way it's done
at Jicarilla or somewhere else. That goes on at a much
higher level. And it would likely require additional
legislation, and everything else.

So to keep moving forward, because there are current
issues that definitely need to be addressed, even if it's
in the interim. We would like to just talk about the
larger issues at the starting point.

TALEE REDCORN: I'll tell you one right
now. It's the mineral estate and mineral shareholders
wanting to put together a program. And Ms. Phillips'
hands are tied, just like the six-month deal. She's got
to do this one specific template.

And it could pretty much kill the whole project
because of administration. And we're not looking -- we're
not digging, we're not drilling wells, we're not doing
anything downhole. We're not -- it's just simply putting
a straw down and pulling oil out.

Can we look at different processes? Can we look at
certain types of technologies to redoing the whole thing,
how we lease, how we measure, how we pull our product, how
we sell our product? Is there any way we can have that
discussion?

KRISTEN KOKINOS: Well, I was just
hearkening back to what you were saying earlier about as
far as an overhaul of the entire process aside from
rulemaking.

CHARLES BABST: The problem we've got is
the statutes that were passed in the 1906 Act, and the
1920s amendments to them are incredibly specific. And in
many cases, the language from the statute was pulled
directly out of the statute, and then put in whole cloth
back into the regulations.

So I mean, there's only so many ways that you can --
that you can reinvent the same wheel without going and
buying a different wheel. And some of that, to the extent
that you want fundamental change with respect to the way
business is done at Osage.

Some of it -- and I can't get into specifics without
looking at specific proposals -- some of it will require,
I believe, statutory legislative approach. Which is
exactly how the Osage Tribe and the Tribal counsel went to
the Congress and got a specific statute that said
notwithstanding the language of the 1906 Act, the Tribe
has the ability to do a -- form its own -- make its own
decisions about a form of government.

And that statute then resulted in the passage of
what's now your 2006 Constitution. But you had to go to
Congress first.

And I'm -- like I say, we'll have to look at each
specific proposal for change to determine whether
legislative change is necessary. But I'm certainly
willing to go through the process. I mean, I've still got
15 years to go so I'm -- whatever.

KRISTEN KOKINOS: We're not trying to
pigeonhole --

CHARLES BABST: No.

KRISTEN KOKINOS: -- how anything is being
done now. But just as a starting point for conversation
about what some of the issues may be, and things that need
to be addressed, we're starting at the current regs and
other issues. We know it's -- we need to start somewhere
because things need to start changing now.

    CHARLES BABST: Yes, that's exactly right.

    PAUL REVARD: I have a question. Don't we
operate a few set matters by I think what's referred to as
policy procedures that were not in the regulations, for
instance, bonding, where we're required to have the
lessee, that is the named operator, is required to have at
least a one percent working interest ownership in order to
use its bond for a particular lease.

    That's not in the regulations, I understand. It's
been done for years, decades, actually. And it was done
by a policy.

    Another policy -- there's a few of them that I'm
aware of -- where the procedures are not in the
regulations. But because of some policy, whether it's
written or not written, is just the way it is.

    A second one, the question I guess is really for
Superintendent Phillips. But another one is our
production, the producer's production reports are due on
the 25th of each month following the production according
to the 226.

    However, by policy, I think, the gas production
reports that the producers are supposed to submit have
been given additional more time till the 10th day of the
following month. That's not in the regulation. But it's by policy.

So some of these things that Councilman Redcorn, you know, might want to implement or address could it be -- could it not be addressed by a policy procedure?

KRISTEN KOKINOS: They -- they can, depending on what they are. So a lot of -- a couple of the policies that you mentioned are essentially policies or orders of the superintendent that have been issued based on the authority that she's granted in the regulations. Or those orders or notices are the Agency's interpretation of the existing regulations.

So it would just depend on what types of things you're dealing with, whether there's an authority or rule within the current regs for those to be put into place. But certainly not every policy or process is spelled out in the regs, particularly as they currently exist.

ROBIN PHILLIPS: And in answer to that, we have found that there were some things in the Osage Agency that were cited in the OIG report that we did not find a policy. But there were some things that were being accepted.

And so Kristen is correct, the Agency can go in and issue some policies, which we have, at the Agency. Since I've been here, we've implemented a few policies as well
as a few procedures to assist the Agency as well as assist
you as a producer or even as a shareholder, since you're
here as a shareholder.

But what the Agency is really trying to do is the
Agency is trying to be accountable as well as have
everyone that's there accountable and work with the Osage
Minerals Council ensuring the protection of the Osage
Mineral Estate.

So with the 25th day, that is the day that the
residue report is due, the Osage Minerals Council did pass
a resolution allowing for gas reports to be accepted up to
the 10th. So that basically is the only difference there.

KRISTEN KOKINOS: Let's take a break.

(Whereupon, there was a recess taken.)

EDDIE STREATER: Do you want to go ahead
and get started again. Do we want to go ahead and just do
some housecleaning and talk about what's next or do we
want to open up some more issues? All right, Kristen,
what's next?

KRISTEN KOKINOS: It's the million dollar
question. Our next steps are going to be that we will go
back with input that we receive today. Obviously, we'll
have to do some more looking into the proposals and issues
brought up by the Chief. But as far as the regs
themselves, our plan was to go back and with some of the
input we receive today, try to put together a new draft of revised regulations that we then circulate to all of you for your review.

And hold another consultation session probably in January, sometime in January -- because we're coming into the holidays now -- to set that draft in detail. So that would give you time to review that draft. And it would give us something concrete to go from as far as changes, issues, and things like that.

But we would like to know does that sound plausible to you? Is that time frame workable?

PAUL REVARD: I have a question.

KRISTEN KOKINOS: Sure.

PAUL REVARD: Since this meeting today, which I think has been very beneficial both you've considered it the government-to-government meeting. At what point prior to you actually drafting some new proposed regulations, at what point are you going to bring the other affected parties involved into the new regulation?

KRISTEN KOKINOS: Sure. So under Agency rulemaking -- I think Liz touched on it a little bit earlier. So what would happen we would put together a discussion draft just for consultation purposes. And we would get the input and feedback from the Tribal parties
then we would go back with that information and put
together a proposed rule.

The proposed rule would be published in the Federal
Register. And then there would be I believe it's about 60
days for public comment. And so then all other interested
parties in the public would have the opportunity to
comment on the regulations.

And we would take all of that comment back in --
right, written comment. We would take all of that comment
back in, review that, and potentially have another
consultation meeting.

PAUL REVARD: How much emphasis are you
going to put on these other affected parties' comments?
Because the last time some of the parties didn't feel
like, even though they were given the opportunity to make
comments on item by item, it was acknowledged by the
Government, they just felt like, a lot of them, that --
and I'm not just talking about operators, I'm talking
about county commissioners who were affected.

Their tax revenues were affected, the communities,
the local supply stores. They felt like their comments
may have been read but just ignored. And I think whatever
you do come back with, I think you need to seriously --
this is not a threat; please don't take it that way, --
but I think you need to have in the back of your minds
what is Judge Frizzell going to think about the regs.

I mean, is it just, Here we go again. Because there will be other affected parties, including the Minerals Council, representing us headright owners that will not be bashful about going back and asking Judge Frizzell to help us.

So that needs to be kept in consideration. Not a threat. But we don't want to have to go there again.

KRISTEN KOKINOS: No. And I don't think anyone here wants to have to go there again. We certainly don't want history to repeat itself.

PAUL REVARD: Exactly.

KRISTEN KOKINOS: And the public comments that you receive from all interested parties are all equally important and should receive equal consideration. And that's what will be done here.

PAUL REVARD: Let me ask you because I'm, you know, I read most of the comments that were made by other interested or affected parties. Can you think of one regulation that you considered that comment and by all means you changed it because of that comment? Were there any of those or very many?

KRISTEN KOKINOS: I didn't participate personally in the negotiated rulemaking itself. I came in at the litigation stage. But I believe -- I believe there
were several. And off the top of my head, I can't --

EDDIE STREATER: I can't -- and Paul, I
can't go specifically to them, but I know there were at
least two that were.

KRISTEN KOKINOS: Substantively revised. I
just can't think of them.

TOM FREDERICKS: We've participated in the
-- and we made comments and one word was changed of our
comments.

EDDIE STREATER: Yeah, we got
approximately, I think, 500 comments on this rule.

KRISTEN KOKINOS: Some of them were forms.

GALEN CRUM: I, of course, can't comment on
the ones you changed after it left the hands of the
committee. But I know during the committee process, we --
we wrote -- literally wrote dozens of them because of the
comments that we received out there and rewrote them.

You know, we would -- the process generally when
Osages propose something, the discussion went a certain
way. And then somebody in the audience would say, Wait a
minute, this isn't very good.

We were just talked to them about with the -- I was
just talking about with the superintendent with the
proposed change in minimum royalty and rental. Perhaps
you remember that.
I think it was Matt Beaver from Devon said, Whoa, wait a minute we just paid $50,000 a lease. And now you're going to charge us 300 or $3,000 a year before we do it.

And we went, Well, maybe that is kind of silly. You know, because we took the $320 and made it go from 1950 money which is when that well went in there to now money. And I think my 3,000 was low. I don't know what our proposal was the first discussion but we changed that right away.

And there was far -- there was lots of them. We kind of wrote them on the fly in terms of changing them within the committee process. And then the attorneys would go back and turn them into real language.

And then we would deal with them again at the next monthly meeting. We had them about every month. So there was lots of changes made before they ever reached the final draft form that was then commented on.

EDDIE STREATER: I will say for the superintendent -- this is an aside -- we got an amazing amount of comments that on certain parts of the regulations that people were not happy with. And those parts were never changed. I think that a lot of people were just not -- didn't realize what the current regulation was. We got a lot. I would say two to 300 of
them were commenting on sections that never changed.

PAUL REVARD: Question for the superintendent. Since Councilman Crum brought up the $2 per acre minimum royalty, --

ROBIN PHILLIPS: Rob I thought it was $3.

GALEN CRUM: But it was a small amount.

ROBIN PHILLIPS: It's a small amount. Go ahead. I'm sorry.

GALEN CRUM: We can figure it out.

PAUL REVARD: Minimum royalty.

GALEN CRUM: Yeah.

PAUL REVARD: Yeah, I think it's $2 per acre.

ROBIN PHILLIPS: Yes.

PAUL REVARD: Say, -- and I'm just going back 39 years. Back in those days, and I don't know when it stopped, but if you were operating a lease that didn't meet that minimum royalty, maybe you came close but you were $40 off, we, the producers, would get a statement.

I don't know where it was generated from. I don't know whether it was from the local Osage Agency or not. But the producers would get a statement showing the deficiency in it. Are those type of statements being sent out today?

ROBIN PHILLIPS: No. Basically, what we
are doing is we're going in and we're reviewing -- looking
at all nonproduction. And if, by chance, it hasn't
produced in a matter of several years, then we're
terminating that.

If, by chance, they haven't produced in six months,
then we're looking at those and we're sending out a
notification. If you owe minimum royalty just for that
year, yes, we're going to get the minimum royalty. Some
of those cases we are getting minimum royalty as well as
terminating the lease because the last minimum royalty
wasn't paid prior to the last production that was
submitted.

PAUL REVARD: So producers should be just
sending their money in whether they get a statement or
not?

ROBIN PHILLIPS: If it's rental, they
should always send that in. And they should get an
invoice for that. But if you're talking about, --

PAUL REVARD: Talking about the producing
lease, they just didn't happen to make the minimum
royalty, they came close, but it was a producing lease.
Should they just automatically send in what they know the
deficiency is?

ROBIN PHILLIPS: No. We'll be sending you
a letter, we'll send you a letter to that effect. Because
we'll be looking at the last six months. Are you producing that well on a regular basis. Okay. We'll look at it.

PAUL REVARD: Thank you.

TALEE REDCORN: Chatting with our attorney, Mr. Fredericks, again, my desire is to get a full breadth of what the United States is asking and give us a chance. Because we've got a lot of layers we've got to work through.

We've got the law that exists in the Osage. We've got economic issues. You name it. This is a big game. And I just hope -- my personal feeling is I need to know what the total plan is first, what the United States wants to achieve. And then give us that chance to respect our sovereignty and go back, let us talk, let us develop a plan, let us talk to our legal team, get the experts we think we need.

Again, I'll point it out. As we went through this process, the train was rolling, we had three votes to stop it. Three votes on the Osage Minerals Council, 1 and 2 and now we have two of them with the third Minerals Council.

So I mean, I don't see how the United States can say, you know, we -- we considered your sovereignty. I find that questionable. Because, to me, a vote of the
people is paramount. I believe that in the United States.
I'm an Army veteran. To vote means a lot to me.

And so the Constitution, we have our Constitution.
I'm proud of the fact that the United States, through
George W. Bush, signed that we have the ability to have
our own Constitution.

The same time he signed one for the Iraqi
Government. I believe in the Democratic process. But
when the United States or the actions I see as this thing
continues to roll against our will, I don't -- I don't see
how you can say that this effort is driven by our desire.

It seems like it's getting fed to us. So again, I
would like to -- I've asked our attorney to, if we could,
grab the full breadth of what you're asking and give it to
us. And then let us look at them.

It's the first time I'm hearing these things. It
seems like you've already got a plan for closure before we
even have a chance to look at it. So I'm hoping, I'm
hoping that we can get, you know, now we've got executive
office bringing in some new life. And we've got some
things we've got to settle among ourselves.

And these aren't small things. We sent a letter to
Mrs. Phillips regarding trust assets and how to deal with
those. She sent us a letter back. We've got to digest
those things. Now, we've got to -- what are we going to
do next, you know. There's a lot of layers in what you
guys are putting together.

And I just don't think it -- you know, I'm hoping
you're hearing at least what I'm trying to say. We've got
a big process here. And it impacts full community.

And like I said, I worked with a guy who used to
have his own business of construction. And he had a
thriving business. He had employed his own family. And
he's working for the Tribe now. He said, When oil goes
down I go down, I went down.

So I mean, the impact to the community is very hard.
I can't say it enough. It's impacted our schools, the tax
dollars that are going to our education, the amount of --
it's affecting our revenue to our casinos.

It's just a broad -- if you're not -- you know, if
we're not thinking these things through, it has a
horrendous impact on our dollars that we're getting.

I just read that the State of Oklahoma has the
lowest in revenue for children for education. And a lot
of it comes through oil and gas. But again, I see the
impact far worse in Osage County than I do Pawnee or
Washington or, you know.

So I'm hoping that we can convince the United States
that we've got a lot of layers to go through. We want to
do it. We want to assist. And we want to look at these
layers. And then we want to get our legal team back to you and say this is what we want.

And I'm hoping we'll have a receptive audience. But I want to say this: One of four barrels in Osage is produced by renewable means. You can't say that anywhere else in the United States.

We are serious about what we do here. And I'm proud of that. And I want to do more of that. I don't want to cut any of that opportunity out for us to look further down the road and look at our carbon sequestration.

That's the Burbank.

We're producing 3,100 barrels a day by sequestered CO2. And they're struggling. They're struggling. But they convinced us this is a keeper. We're dumping a lot of assets. But this one is a keeper. So we're still in the ball game. And we want to stay there.

But if we can't get any cooperation from the United States, it's going to be darn tough because there's things we want to do. So I'm hoping, you know, I'm listening to what the Chief said that's encouraging. Mr. Babst is saying yes, we'll consider that. Maybe that's the avenue we'll approach to try to get what we want into this discussion.

I don't know. I haven't even talked to Mrs. Boone. She may say no, I don't want that because there's eight of
us. And we've all got to agree or the majority has got to agree before we move forward. So we haven't even had that chance to talk.

So I'm hoping the United States recognizes our sovereignty and recognizes we have laws here, Tribal law. Bureau or Federal law, -- I understand you know Federal law; I'm not suggesting -- but our Tribal has law that we've got to consider, too, including the environment, including natural resource use, and the will of the people. So thank you.

MICHEL MOUTON: I have a question. It has to do with expectation. And I'm just curious. Given that we all agree that what we're currently operating under can't remain, it needs to be corrected, and fixed. And we all agree to that.

Given what everybody knows or understands or expects from where they sit, how long would you anticipate we could or should take in correcting what we have now that we all agree is not good? How long would you think the process that we need to work through to get to something that's acceptable to all of us should take?

It's only your number so you can throw out whatever you think.

TALEE REDCORN: Well, you know what, I'm going to say this. I haven't had a chance to talk to the
MICHEL MOUTON: I understand.

TALEE REDCORN: And we haven't had a chance
to talk to the new Government.

MICHEL MOUTON: I understand all that.

Nobody has. I'm just wondering off the top of everybody's
head, what kind of number, time frame, would you think the
process should take? How long should this take to get
from where we are now which we all agree is not good?

TALEE REDCORN: Can I answer your question
with this. I'm going to say until I understand the full
breadth of what the United States is asking of the Osage
headright holders, and then our -- we have a chance to
talk to our attorney, we can give you an answer.

MICHEL MOUTON: So for you, there is no
right answer to that question, it cannot be answered?

TALEE REDCORN: What I'm saying is, again,
the United States, gives to us the full breadth of what
you're asking us to do. I heard you walk that way saying
what we're doing right now is wrong.

So there's two answers to that. Do you want to go
with Mr. Paul Revard saying that we start with the 226 or
are you saying we want to go all the way over here and
prove -- we have to prove to you what's wrong?

MICHEL MOUTON: No, what I'm asking is from
where we are right now, which we all agree is not sufficient, how long do you think the process should take to get to a place where we can all agree this is good?

TOM FREDERICKS: He's saying he doesn't know.

MICHEL MOUTON: Okay.

KRISTEN KOKINOS: We don't know.

EDDIE STREATER: We don't know even.

MICHEL MOUTON: I know. I'm just asking for off the top of your head how long would you want it to take?

REBECCA SHER: Why don't we get through the next steps. We are here discussing how we're going to move forward.

MICHEL MOUTON: Yes, and that's part of where my question is motivated. So I'm just curious to see where we all are in that, how long would you expect or think or desire it to take?

TALEE REDCORN: I would say Minerals Council needs to digest the full breadth of what the United States has to offer in say, three months to communicate with all our entities in the Nation to develop a plan to go forward, just to understand what we want to do next.

MICHEL MOUTON: Okay.
TALEE REDCORN: And then once we, and then if there's an issue with -- with the Osages as a whole, we've got to work that out which is under the law of the Osage Nation Constitution. And we've got to communicate among ourselves, is this the direction we want to go. Or is Mr. Tom Fredericks correct and we need to go this way. We don't know those answers until we see what you want from us. And what I'm -- I'm still unclear.

MICHEL MOUTON: So three months, three more, six months.

TALEE REDCORN: You're not hearing what I'm saying.

MICHEL MOUTON: I understand. I hear exactly what you're saying. I'm not going to hold you to any answer here. What I'm --

TALEE REDCORN: It's called Tribal sovereignty.

MICHEL MOUTON: I understand that.

TALEE REDCORN: We have the right to determine these things among ourselves that's been given by Federal law to us as Osage headright holders.

MICHEL MOUTON: What I'm trying to figure out for me is just from everybody here as an interested party in all that goes on here, we start from the position that none of us are particularly pleased with where we are
today. And we want to get to tomorrow.

I'm just trying to figure out how far away is

tomorrow. For somebody, it may be two months. For

somebody else it may be two years. I don't know. I'm

just trying to get some feel for how long people think the

process is.

CYNTHIA BOONE: When we first started this

process, we were told it was going to -- we were going to

have two years. And we didn't get two years.

Whenever I came to this meeting today, I thought we

were going to reopen this Negreg process. But I learned
today we are not.

I am not happy with this three-month thing coming

out, we're going to have another proposal, yada, yada,
yada. I'm not happy with the public comment section where

all of our affected parties will get a chance to weigh in.

I saw how the public comment went the first
go-around. And I wasn't pleased with that.

KRISTEN KOKINOS: We have to allow public

comment.

CYNTHIA BOONE: No, no, no, what I'm

saying is yes, that is part of the process. But I just
don't think that the public comments were really taken

seriously.

KRISTEN KOKINOS: Oh, okay.
CYNTHIA BOONE: I think they were just kind of sloughed off.

KRISTEN KOKINOS: Sure.

CYNTHIA BOONE: I know that our Osage presented 500 comments but they were sloughed off. I'm not going to get into that. Let me just move on with some of the things that I have seen here.

KRISTEN KOKINOS: Sure.

CYNTHIA BOONE: There's a comment in here. And I haven't gone through and critiqued every line in here. I probably should have. That's my fault. I will now, though.

Because there's comment in here that there was something has been deleted from the current regs because it's "overly burdensome administratively." Well, I don't know if that intention was for our superintendent.

But, to me, there is nothing in these regs in terms of like extending the termination or extending, let's see, an extension of time to come into compliance. I don't want to see that deleted.

Because that gives our producers a time to come in to compliance and to continue on. And if we are -- if the Bureau is supposed to promote economic development, I don't see how that is supporting economic development here. And so there are other articles.
I'm glad our attorney, Rebecca Sher, pointed out the authority of the Osage Minerals Council. And that needs to be strengthened in this document. There are places in here where I believe that it should say the superintendent can with the consultation of the Minerals Council.

There are things that go on, fees and penalties, things like that, I think are a little bit high, personally. And I think that with consultation with the Minerals Council, we could come up with a different type of penalty for these people.

But anyway, I will give this more thought. But right now, like I said, I thought that this was going to be reopening the Negreg process and we were going to have two years. And now I find out we're not.

So I felt the first go-around that the Negreg process was thrown down our throat. And now I feel the same way. You know, you want to come out with a proposal in January for us to look at. And I'm not pleased with that. We need more time. Thank you.

MICHEL MOUTON: How much time do you think would be appropriate? Two years from before was not enough?

CYNTHIA BOONE: No. Two years was problematic.

MICHEL MOUTON: Two years was not enough.
KRISTEN KOKINOS: Well, part of the concern with timing too was in the meantime, the headright holders are not getting the returns that they should because of the highest posted price. And so part of our goal in, you know, keeping this process moving forward is that we know, you know, since the settlement in 2011, all the negotiated rulemaking, you're still at highest posted price.

And that's been a big issue. And so we're not trying to expedite to the detriment of anyone. But we know that, you know, in the interest of the headright holders and everyone else, the highest posted price in particular, you know.

CYNTHIA BOONE: Right. But, you know, there were a lot of comments made by oil producers --

KRISTEN KOKINOS: Sure.

CYNTHIA BOONE: -- against the NYMEX pricing.

KRISTEN KOKINOS: Sure.

CYNTHIA BOONE: You know, they don't get paid transportation costs. There's a whole bunch of things with that. But, you know, that was just one of the issues with public comment that I don't think was taken into account. But there were a lot of other public comments that I thought could have been looked at differently. That's my opinion. Thank you.
GALEN CRUM: This doesn't go directly to Mitch has asked about time frame. I don't necessarily have one. But one thing that might help us on this side of the table gauge the receptiveness of the Bureau listening to our concerns and being willing to adopt them.

One of the things that my fellow councilman, Kathryn Red Corn, has mentioned several times is the ability for the Osages to set the value. In other words, you know, within the -- talking about specifically within the new regs, we changed it from 16 percent.

And you know, and a fraction to 20 percent. Plus there was some wording deleted out that talked about being able to with, I don't know what it says, back in the proper economic study that you could do something more than that, down to the eight to the 12-1/2 percent.

That's what the current reg says. And we changed it to 20. And then the part about being able to go down to the 12-1/2. Like I say, I'm not sure that was caught by the committee as tightly as it should have. The 20 was solid. Everybody wants, you know, on my side of the committee wanted.

If we wanted to change that today to read exactly it reads in this old one, would you guys pause one second on making that change for us? That it -- that the new reg, whatever it came out with, would read 16-2/3 like it did
before and that one little bit of wording.

And you can go back and read it, if you want. But it was the part that's been there forever with the -- would the Government's mind change that whatsoever?

EDDIE STREATER: I don't think that there would be any problem as long as there wasn't a statutory conflict with that, you know, that's your --

GALEN CRUM: Apparently it had been that way for sometime.

KRISTEN KOKINOS: And that's the way it is now.

GALEN CRUM: So going back to deleting that piece out, wouldn't be a problem for you whatsoever?

KRISTEN KOKINOS: No.

GALEN CRUM: Okay.

PAUL REVARD: I don't mean to go get back in the weeds again. But I -- I do know that something that affects our Osage oil and gas producers is their inability to access mail records or any geologist or interested party especially somebody out of state maybe who is thinking about coming in to Osage County to spend a little bit of their exploration capital.

One of the first things they need is to get well logs and well records so they can start searching on paper where to draw the dot, the target.
According to what I remembered the superintendent stating in past meetings that we've had is that this company has been on the books for a long time. This isn't new. It's just now recently being enforced. Is there any consideration of releasing these instruments back to the public at any time soon?

EDDIE STREATER: As we've discussed, I believe that this came up in the shareholders meeting that I attended and we discussed it then. What we're talking about here is not a regulation under 226. It's not something between, on operation.

It's a Federal regulation that affects Federal employees. It's the Privacy Act that we had a concern about with the release of that information. Some of the information could be considered proprietary.

We're not -- and have never said that you can't get that information. You just have to go through the FOIA process to apply for it. And we're currently working behind the scenes with the Minerals Council on trying to get even the benefits for it.

PAUL REVARD: Thank you.

REBECCA SHER: So my understanding is that your office will work on getting some language put in to form. The Minerals Council and other Osage Nation bodies would have an opportunity to review that before it's made
-- and before it's published as a proposed rule?

KRISTEN KOKINOS: And we have rights. So that wouldn't be the proposed rule that was planned for publication.

EDDIE STREATER: A very rough draft.

KRISTEN KOKINOS: It's just a discussion draft between us and the Nation, --

REBECCA SHER: Sure.

KRISTEN KOKINOS: -- just a starting point for discussion of substantive revisions.

REBECCA SHER: And at the time we get it from, I know we're going back to Mitch's question here,

KRISTEN KOKINOS: Sure.

REBECCA SHER: But I guess until I know the size of the rough draft you send, I don't think we can have an honest idea how long it would take to come back with comments. Is there a time period that you have in mind now?

KRISTEN KOKINOS: Our hope was to have a discussion draft out to you by the beginning of December.

REBECCA SHER: Okay.

KRISTEN KOKINOS: However, that could change.

REBECCA SHER: And then the Osage Nation and the OMC, we would want to take -- do you have any
idea, Chairman, how much time you would think it would
take?

EVERETT WALLER: I would hate for anybody
to ask me that question. I can't answer. I will take as
long as I want to ask because it's so critical to us and
that's why you were hired. But I will let my counsel make
that decision. Does that answer you good enough?

REBECCA SHER: Yes, sir.

GALEN CRUM: I have a comment that I
wondered about from the beginning of this particular
meeting today when the Osage Nation received the
notifications and the Congress. And then they were very
unsure. I had a couple of them talk to me about what
their role would be and that sort of thing.

Another one of the things that I don't want to see
disappear from the -- whatever the new reg is is that the
Minerals Council is the one designated in this that's the
proper authority of the elected officials of the Osage to
deal with these questions.

One thing we did do, we put Minerals Council every
time it said Tribal Council. I do not want to lose that.
That is not to say that I am opposed to working with the
Chief and that sort of thing on these bigger issues.

Perhaps we can use -- we've lost all of our Congress
people. But where we can use Osage Nation law and
regulation to better serve our sovereignty and to better
-- if we can work out a method to do all of these things.

But I'd like to clear a little bit that it's the
Minerals Council that's doing this. And that we're going
-- if the Minerals Council wishes to go outside and talk
to the Nation and work out these deals, then that's a deal
within the Osage.

KIRSTEN KOKINOS: Oh, it most certainly is.

GALEN CRUM: Not within the BIA. And you
know, the Chief kind of said it that way. But in the
past, we -- we didn't involve the Nation within these
kinds of, you know, in terms of the Congress.

Because within our Osage Constitution, they actually
have no role in this. The Osage Constitution is
remarkably vague on many things that I tried to fix.

But one of the things is that the Osage Minerals
Council has the authority to take care of the oil business
and the minerals business. And that the Chief does have a
role in terms of being able to veto. But that's his only
role and that was for leases.

So I want to make sure that the process we used
before is followed going forward. This is my opinion in
that the Minerals Council is your primary government
contact for these minerals matters, anything dealing with

226. Thank you.
EDDIE STREATER: Galen, I don't think they quite, the Osage Council has probably not built up a tolerance for rulemaking as we have. It takes a little while to get used to it.

TALEE REDCORN: I heard December -- just a quick question. Do we want to get this done before Obama leaves office, kind of thing going on?

EDDIE STREATER: I don't think --

KRISTEN KOKINOS: No. Not going to happen.

EDDIE STREATER: And you know, I'll be honest with y'all, you know what. What we're going to come forth with are some of the big issues that's been talked about.

A lot of the things like Galen said of the negotiated rule, there was a lot of cleaning up of language, a lot of -- typos, just everything. You could tell that it had been written in different stages.

KRISTEN KOKINOS: Right. By different people.

EDDIE STREATER: It was in different form. And it made it hard to read, hard to interpret. And that was some of the things that were cleaned up in it. Now, that's probably not what you'll see on the draft. It's going to be more toward the substantive questions that have come up time and time again, that of bonding, you
1. know, penalties.

And guys, I don't -- as regional director when it comes to penalties, I'm pretty ambivalent on that. The Osage Minerals Council does not get that funding on those penalties. So, you know, it goes into the black hole of Treasury.

So there's a lot of flexibility in that. But NYMEX is going to come up again. Reporting dates are going to come up again. It's going to be those kind of topics that's going to come forward.

TOM FREDERICKS: You know, one of the things that I had mentioned, and Robin kind of poo-pooed the idea, was looking at -- and I know you guys in Washington will be working on these regs from BLM. And some of these big issues may have been resolved in those regs that they just -- that's what I think we ought to look at. I know they don't apply here.

EDDIE STREATER: Well, that's certainly, and it's not only the application. It was the Minerals Council had specifically tasked us with not going to BLM with a lot of things. So we can change that.

TOM FREDERICKS: We find a lot of language similar, in our review, to the BLM language. So somebody has drafted something.

KRISTEN KOKINOS: You mean in the final?
TOM FREDERICKS: And we're not -- and it may not be the --

EDDIE STREATER: Well, of course, that goes back to how the statutes apply here also. There's some things that BLM do that we're unable to do.

KRISTEN KOKINOS: But I mean, there's -- that's certainly something that we can look at, particularly in light of, you know, the OIG's statement that the regs in Osage should be more similar to the rest of Indian country. So it's certainly something that can be researched.

EDDIE STREATER: And the steps method of -- we talked about that in the initial regs, Galen. That's something that I think that if we can make that happen, I would like that to happen here.

TALEE REDCORN: I've just got a question here. Ms. Boone, when was the first resolution to stop the Negreg process?

CYNTHIA BOONE: I believe it was in March of 2013 right before the process ended on April 2nd.

TALEE REDCORN: So March of 2013?

CYNTHIA BOONE: '13, I believe, yes.

TALEE REDCORN: So the Minerals Council, I'm hearing it's our desire to start it there. I know we passed two since 2014. What's your comment on continuing
the Negreg process, that its resolutions --

EDDIE STREATER: The process is over. It's not continuing. It's done. The final report has been issued. It's all --

TALEE REDCORN: I'm talking about from 2013, when the efforts were still going in '14 when I took office.

EDDIE STREATER: I cannot comment on that. Because I was not a -- well, I was a designated Federal official. I was not internal to the process.

TALEE REDCORN: I can only say that we can't, I don't think that the United States can say that they have the will of the people or the will of the minerals folks when you're working against a resolution that was passed March of 2013.

TOM FREDERICKS: The problem is once the rulemaking gets going, then they treated us -- I know we sent our letter in asking them. They told us that wait till public comment period.

They treated us just like any other commenter. And that's the way -- that's the way they have to do it according to regs what they told us.

EDDIE STREATER: Yeah, for the negotiated rulemaking, that open -- I forget what the Act is called.

LIZ APPEL: There's the Federal Advisory
EDDIE STREATER: FACA. Yes. You have to follow FACA. And it's very narrowly written on what you can do and what you can't do.

KRISTEN KOKINOS: But that's not the case here.

GALEN CRUM: I would like to make a clarification on this also. As Councilman Boone pointed out, it was in the month after it was immediately decided. The first vote was all that they could get a vote for to ask for more time.

It was nearly a year later that they finally introduced a new one that said that they were against the whole process. And then of course there was the revotes by the Third Minerals Council to begin the legal process.

But the Government was in charge about how much time they could put in it. And that's what sequester was going in. And we couldn't -- for our last meeting, we couldn't even get -- we had a terrible time getting all the Government players in because they weren't funded anymore.

So they didn't feel like it was within their purview to be able to -- or ability to be able to extend it longer. That's all that was asked for in the first resolution. It was not that we stopped it, or not to stop, it was to ask for more time.
Just a little point of clarification, but it is important. So I would -- I would very much like to see what it is that you guys want to do, listen to what the -- our people are, you know, come up with on their own.

I would very much like to see some things that they actually stated to say you're wrong in this. I tried for years to get somebody to tell me what was bad about it and very few people would stand up and say what they heard was bad.

So but we're not going -- it doesn't sound like we're going back to the weeds and getting every piece of it. But there's a whole lot of it that was very necessary that was not controversial to anyone.

And we shouldn't throw that stuff out, things like I just brought up, that the Minerals Council be listed as the body. That was important to me at least to have a Federal document that said that we were the -- the Osage Minerals Council is the Government-to-Government entity to be dealt with.

And that's the reason I brought that up again to make sure that that doesn't change. We should be that. So I look forward to trying to figure out how to get paid for all the oil, you know, being sold, and getting it at market price.

I look forward to us somehow figuring out how to
measure properly and evaluate our gas. I look forward to all those things that is costing the Osage headright holders millions of dollars a year right now.

TALEE REDCORN: You know, the question was again what do you not like about the regs. And I said, Well, for starters, it ignores our sovereignty. Well, nobody wants to talk about that.

And I think that's step one in the whole process. So you know, if you're not going to recognize our sovereignty, then what do we do? You know, we had to go all the way to go to court to stop this thing.

Is anyone listening, you know? Do we have to go to -- like Mr. Revard said who is a shareholder and a headright holder -- do we have to go to court again for you to listen? I'm hoping -- you know, we've got a problem here. We've got a sovereignty issue, in my view.

I live on trust property. I live right down over here in Indian Village. I grew up on trust property. I lived about 85 percent of my life on Indian land. So it's very important to me. I know the mind-set of our Indian people who live on Indian land. And sovereignty is critical to your future.

And if the United States ignores it, then we are in trouble, in my view, because, I mean, I grew up with people attacking our land. I grew up with them attacking
our headright. Our people have been killed for these things.

Chairman talks about that all the time. And I appreciate that, sir. That we remember our people who have fallen. Because there's a lot of people that want the activity.

So finally, somebody comes in and says, I want to hear what you have to say. And I want to be heard. I want tower our people to be heard. I want our elders to be heard. I want our children to be heard.

And right now I'm not hearing it. I'm hearing the same old plan shoved right back at us. So I'm hoping and I'm going to pray, the Chairman will pray, that maybe you will come back and say, Look, I really want to know what you guys want. And that day, I think, will happen.

I mean, we talked about our relationship with the United States. Back when the United States in 19 -- 1803-1804, they came to the Osage. They asked for help. They asked for help against the Spanish when they were going to the new Louisiana purchase. They came to us.

And we remember those discussions and we talked about these things, and how we went west and how we were allies. These things are important to us.

So now we have an avenue we can be heard. And I want that for my kids because they don't think like me.
They have got a new way of thinking. I would be astounded if you was to hear how they talk. They talk like, Let's rethink this oil stuff. Let's rethink these minerals.

We've got a Chief that's interested. And we've got a Congress. I don't even know how our shareholders feel. I don't know how -- we haven't even had a chance to talk. All we've been doing is trying to stop the train. Now I think we've stopped it hopefully. Maybe not.

Maybe you have pitched another one at us, and we keep doing it. But I'm hoping you will hear us. When we talk, you will hear our voice. And we can settle these matters and we can all move on.

So right now, I'm not liking what I'm hearing. We want it out quick, want it out quick, same template, same way we're going to do this business. And I guess here we go again. I'm worried.

EDDIE STREATER: There again, I guess maybe we need to ask again. Do y'all want to provide something to us to go through? Did I just not hear you say that you wanted us to hear your voice?

I'm open to whatever, whichever way you want. We can provide y'all a draft. Or we're more than happy to look at a draft from the Tribe. I don't know which direction we're going right now.

TOM FREDERICKS: Well, I think we can do it
either way. It's up to the OMC. If the OMC wants us to do a draft, we'll do one. If they want to hear it from you first, then we will.

EDDIE STREATER: I think that's kind of the consensus then, to -- our marching papers. We stand ready any way.

KRISTEN KOKINOS: And again, any draft that we provide it's a discussion draft. It's not the composed rule. It's not the end. This is the beginning of the process. It's not the end of the other one. That one's over. This is new. And this is the beginning.

EDDIE STREATER: It's a framework to add to or take away, either way.

KRISTEN KOKINOS: To go from -- right.

It's a starting point, not an ending point.

GALEN CRUM: We don't have a enough Council here to have a vote but I can speak for myself. I would like to see what you guys have to say. We can work on it. That doesn't prevent us from working on ideas --

KRISTEN KOKINOS: Not at all.

EDDIE STREATER: Exactly.

GALEN CRUM: -- parallel, much the same as what we talked about with the Chief working on his ideas of what we need changed. Big pictures changes, you know.

So I think that the more stuff that we bring that
shows what, a side, three sides, four sides, whatever
we're working with here, we want to have happen at the
next meeting, the sooner we will have a meeting of the
minds, or realize we're not going to have a meeting of the
minds if it appears that Congressman Redcorn has, you
know, expressed then we'll know that. And then we can go
forward.

TOM FREDERICKS: Well, you know what I
think I heard the Chief saying, and I heard the Congress
saying that they want to kind of get together and decide
whether they even want regs. It seemed like he was saying
he wanted to do Tribal regs in the Tribal law and order,
their regs. I don't know if that's possible or not.

EDDIE STREATER: We'll definitely have to
look at that considering the 1906 Act.

TOM FREDERICKS: He was talking about
Jicarilla. I just did an agreement with Jicarilla. And
the BIA just approved it. It seems like it was normal
process down there.

EDDIE STREATER: Well, we're definitely
going to take a look at that. All right.

I guess what we'll do then is we'll get together and
start preparing some drafts for circulation. And
hopefully sometime in early December we'll have that to go
out to everybody to take a look.
KRISTEN KOKINOS: And if it takes longer, we'll let everybody know, keep in touch.

EDDIE STREATER: Yeah, we'll let you know.

KRISTEN KOKINOS: And if there's anything you want to share in the meantime, certainly, please do.

EDDIE STREATER: Yes, very much. Very much so.

KRISTEN KOKINOS: We want the lines of communication to stay open. This isn't one way.

PAUL REVARD: Well, I would like to reiterate -- to reiterate what Councilwoman Boone had mentioned halfway through our meeting to keep in mind what the BIA's mission statement is as you're writing that, how economics improved for the Osage people.

I think that's real important. Then not a threat but also keep in mind the settlement agreement from the big lawsuit. And what, you know, the outcome and what the language was in it as well.

We certainly don't want to end up back in court. So it would be -- I just would like for you all to keep those things in the back of your mind is how is this going to be economically an improvement or beneficial for the Osage headright owners. That's what our Council here, that's what they're elected to do.

EVERETT WALLER: I know that.
PAUL REVARD: I'm telling, reminding the Federal Government. Please keep that in mind too.

EDDIE STREATER: And certainly we will.

And you know, the cold hard facts of it is, you've got another player out there in Osage County and we're constantly under attack from that player.

And some things have to happen to defend those attacks to keep the mineral estate producing. There's certain individuals here in Osage County that would like to shut that down. And we have to make sure that that's not done.

Well, I do appreciate you. It's been a long day. And I do appreciate everybody staying with us. Like I said, the Osage Nation Council, if they get into the process a little bit more, they will get used to the rulemaking, so they will hang with us the whole day.

PAUL REVARD: I had asked earlier, is the audio for the transcribed discussion today going to be available? Are you going to circulate that through the Council?

KRISTEN KOKINOS: The transcript of today's proceedings, they will send to us. And it will be provided. It will be part of the administrative records.

PAUL REVARD: It will be sent to the Council?
KRISTEN KOKINOS: That's correct.

(Whereupon, the proceedings were concluded.)
CERTIFICATE

STATE OF OKLAHOMA                          )
COUNTY OF TULSA                           ) ss.

I, Linda Fisher, a Certified Shorthand
Reporter, Registered Professional Reporter, and Notary
Public in the State of Oklahoma, do hereby certify that on
the 27th day of October, 2016, at the Pawhuska Business
Development Center, 1225 Virginia Short Street, Pawhuska,
Oklahoma, pursuant to agreement of the parties, the
TRANSCRIPT OF THE PROCEEDINGS was reduced to writing by me
in stenograph, and thereafter transcribed by me, and is
fully and accurately set forth in the preceding pages.

I do further certify that I am not related to
nor attorney for any of the said parties, nor otherwise
interested in the event of said action.

WITNESS my hand and official seal this 7th day
of November, 2016.

_______________________________
Linda Fisher, CSR-RPR #866