OVERVIEW OF OSAGE MINERALS COUNCIL'S PROPOSED CHANGES
TO CERTAIN SECTIONS OF PART 226

Sections to be substantively revised

226.1	226.11	226.38
226.9	226.13	226.39

1. Modernize royalty value and royalty rate for oil production (226.1, 226.11).

Royalty value should be set using the average NYMEX daily price of oil at Cushing, Oklahoma, plus a premium.

Royalty rates should be no less than 20% for oil.

2. Modernize royalty value, royalty rate, and royalty calculations for gas production (226.1, 226.11).

Royalty value should be set using the Monthly Index Price in dollars per MMBtu for Oklahoma Zone 1 published by the Office of Natural Resources Revenue.

Royalty rates should be no less than 20% for gas.

Royalties should be based on a "keep whole," by measuring the total volume at the well and multiplying by MMBtus and by royalty value.

3. Strengthen drilling obligations for oil lessees (226.9)

Lessees should be held to prudent operator standard, and the Superintendent's authority to order drilling and terminate leases should be clarified.

4. Require detailed electronic reporting by all lessees (226.13).

Detailed monthly statements and all run tickets should be submitted electronically on a monthly basis and forwarded to the Minerals Council on a quarterly basis.

5. Strengthen oil gauging and gas meter inspection, calibration, and adjustment (226.38, 226.39).

Lessees should be required to inform the Superintendent before purchasers are notified that oil is ready to be removed from the lease, so the Superintendent can perform unannounced gauging of the tanks. Advance notice should also be required for gas meter inspections, calibrations, and adjustments, and they should be performed no less than twice a year for each well.