

Osage Negotiated Rule Making Committee
Summary of Public Comments
April 1, 2013
Page 1 of 20

	Date	Public Comment	Summary of Comment
56	April 1, 2013	Email from Susan Hartshorn Saxe, H.A. Hartshorn Lease	Supports Osage Producer's Association's proposed changes to the draft regulations. They are third generation owner-producers. Several of their owners rely on their monthly checks from Hartshorn lease to support them. Please remember the small owners when changing the rules.
55	April 1, 2013	Email from Morris Miller, Surface Owner	Generally supports bonding to support proper clean-up and plugging of wells. He has equipment and pipelines on his property for wells that haven't produced in years. Disagrees with not allowing transportation costs and stands strong with Osage Producer's Association to not increase costs to producers.
54	March 28, 2013	Email with attached comments from Berkely Geomaging, LLC	Seeks clarification on whether under revised regulations the new royalty calculation will be applied to existing leases (as opposed to royalty rate, which will stay the same); increased rental rates doesn't advance any government purpose and purports to change BGI's existing lease terms; 226.1B allows BIA to issue new NTLs without Mineral Council approval or consultation, expands federal authority without complying with APA; deletion of distinction between "casing head gas" and "natural gas" is problematic because casing head gas is generally not marketable and removal of distinctions measurement, royalty, and avoidably lost provisions would apply regardless of marketability; BGI lease only requires royalty on "value of natural gas extracted, produced and sold", 226.11(b) requiring royalty to be paid on all gas would materially change BGI's agreement; cap on processing costs in 226.11(b)(2) is problematic because actual processing costs may greatly exceed cap especially is Superintendent doesn't permit flaring or venting of unmarketable gas; 226.9 regarding drainage is ambiguous and has impractical results – as drafted would require a lessee with adjoining leases to unitize or merge leases to avoid offset drilling obligation and it's the same mineral owner. Current regs only require offset where Lessor is not the owner of the minerals on adjoining lands – this provision is sufficient to protect against drainage. 226.18 & 226.19 notice and payment of commencement money should not be a condition of approving a drilling permit or surveying or staking of wells. Notice and Meeting requirement 10 days in advance should only apply to commencement of drilling operations. 226.22A inclusion of "all spills" is unduly burdensome; 226.39 should be amended to include "to the extent it conflicts with "other" provisions of these regulations" 226.1(o) definition of avoidably lost should be amended so the term marketable applies to produced gas and other

Osage Negotiated Rule Making Committee
Summary of Public Comments
April 1, 2013
Page 2 of 20

	Date	Public Comment	Summary of Comment
			products.
53	March 28, 2013	Email from Mark Clemishire, Osage County Oil Producer	Believes that there is a “three strikes and we are out” situation beginning at Osage that is tied to the royalty rates being set in the proposed regulations because (1) when regs come out and large oil companies leave it will shareholders revenues;(2) smallest mom and pops will go under because they can’t afford royalty; and (3) when oil production falls drastically after regs come out, shareholders revenues will drop. Urges people to contact Minerals Council members.
52	March 27, 2013	Email with Attached Comments from Doug Martin, Osage Member and headright holder	Requests that 226.21(c) authorizing the superintendent to pick a third arbiter if one cannot be agreed upon be changed to the American Arbitration Association because it is viewed as a biased fraud because the Superintendent always picks an “interested” arbiter, or having AAA pick all three, or have AAA select 5-6 names of disinterested persons, 3 of whom will be chosen at random. Last suggestions if to have damages referred to state court if cannot agree on a 3d arbiter. Requests that the regulations clearly define environmental regulatory authority - state or federal agencies with responsibility for all environmental enforcement. Revise or delete 226.24 re water use and states that water is not a mineral that was reserved. Referencing 226.21(b), requests that there be a clarification regarding mineral estate beneficiaries, ownership and control – Osage Nation has not authority or role in Mineral Estate that the “Osage Tribe” is now the Osage Minerals Council. Reconsider proposed mineral price/fee schedule because of impacts to small operators.
51	March 27, 2013	Email from Roy C. St. John, Surface Owner	Discusses and provides link to a BLM policy documents regarding split estates subject to OnShore Oil and Gas Order 1, Stock Raising Homestead Act and BLM regulations. Requests that BIA follow the same policy regarding what must be done before oil and gas operations begin.
50	March 26, 2013	Draft Redline from Osage Cattleman’s Association	Re-submission of March 8, 2013 redline
49	March 24, 2013	Draft Redline from Osage	Objects to: all provisions expressly giving BIA authority to adopt on-shore order and NTLs and related provisions (suggests that if they stay in, be subject to approval of Minerals Council); 226.2 proposes

Osage Negotiated Rule Making Committee
Summary of Public Comments
April 1, 2013
Page 3 of 20

	Date	Public Comment	Summary of Comment
		County Producers Association	language that on day of lease sale must deposit “on the day of sale a check, money order or eft” (adds back in “check” as form of payment); 226.6(a) proposes bonding based on a graduated scale based on wellbore not to exceed \$3,000 per well for 1500’, \$6000 per well for less than 2000’ and \$12,000 per well for > 2500’ and be determined by Superintendent according to drill plan at time of permitting; proposes new 226.6(h) in lieu of bonding Lessee may elect to join the Osage Reclamation Fund; 226.7(e) proposes 180 days for automatic termination and notice on 90th day; objects to 226.9A (drainage) in its entirety as being duplicative of 226.9(c) as currently written; 226.11 adds express language that new royalty only applies to new leases, suggests NYMEX minus 3.5%; 22.11(c) deletes “in favor of lessee language” and adds “after careful consideration and input from all parties.”; 226.13 adds “or his authorized representative” after lessee; 226.18 adds language stating lessee shall notify or attempt to notify for staking of a well, adds back in exception for meeting with surface onto surface for staking of well, and deletes written notice requesting meeting by certified mail with cc to Superintendent; 226.18(e) changes “may” to “shall”; 226.19 adds new (b)(1) & (b)(2) which require lessee to obtain permit from BIA prior to commencement and permits surface access for exploration activities prior, provides commencement fees for fees for exploration surveys and seismic exploration, excludes commencement money for redrilling of existing wells; 226.19 adds in language so first line reads “pay negotiated fees for each production tank site on the lease”; 226.21A(a) adds in requirement that subsection is subject to “the extent a market exists and it is economically feasible to do so”; 226.36(f) deletes adoption of OnShore Order 6 and replaces with “Texas Railroad Commission Rule #36); 226.38(b) removes lease termination for failure to comply and adds that lessee will be subject to “disciplinary action, limited to appropriate monetary penalties.”; 226.38(c) adds requirement that notice to Superintendent be in electronic form and that BIA must notify lessees of establishment of method before provision is effective, deletes specific monetary penalty for initial failure to inform and method before provision is effective, deletes specific monetary penalty for initial failure to inform and deletes lease termination for repeated failures to inform and replaces both with subjecting lessee to “disciplinary action, limited to appropriate monetary penalties.”; 226.38(d) deletes lease termination for failure to comply and replaces with “disciplinary action, limited to appropriate monetary penalties.”; 226.39(a) deletes applicability of Onshore Order 5 and replaces wit American Institute Manual of Petroleum Measurement Standards; 226.39(c) deletes twice annual calibration requirement, requires notice of calibrations be given to Superintendent in electronic format and that and that BIA must notify lessees of establishment of method before provision is effective, deletes lease termination for failure to comply and replaces with “disciplinary action, limited to appropriate monetary

Osage Negotiated Rule Making Committee
Summary of Public Comments
April 1, 2013
Page 4 of 20

	Date	Public Comment	Summary of Comment
			penalties.”; 226.40A (site security) adds new subsection (a) that makes section only applicable on case by case basis and subject to approval by Minerals Council; 226.40A(b)(6) changes records retention from 6 to 3 years; 226.42 adds language that penalties used to benefit Osage Minerals Estate or surface owners, and adds language that all penalties subject to approval, adjustment or waiver by Superintendent or Osage Minerals Council. 226.43(a)-(f), (h), (i) adds language stating penalties not less than 50 and not more than \$500, rather than flat \$500 per day fine; 226.43(g) adds language stating penalties not less than \$100 and not more than \$1000, rather than flat \$1000 per day; 226.43(k) adds language stating penalty “not less than \$100 and not more than” \$1000, rather than “up to” \$1000 per day
48	March 14, 2013	Email from Mike Biddick, independent producer	States that the proposed rule will affect him because: the rental rates are too high and forces drilling in first year; royalty is unfair because “no operator receives”; and requiring operators to provide information already have, like run tickets, is a waste of time.
47	March 14, 2013	Letter from Ray McClain, Osage Shareholder	Suggests that \$100 per well for a bond is a starting place – at meeting it was presented that it costs \$200 to get a \$10,000 bond and hard to get bonds. Suggests cutting out insurance companies and having the Minerals Council or the BIA set up a self-bonding revolving fund whereby producers would pay the value of 2 barrels of oil each year for each active well (44,000 est active wells and est \$80/barrel, would be \$3,520,000), several years later, as determined by the Minerals Council, cut producer’s contribution to value of 1 barrel of oil for each active well. There would need to be formal board to oversee fund and producer’s would still have to plug any well they intend not to produce at their own expense and if they neglect to do this, regulations should impose termination of other Osage leases they operate.
46	March 13, 2013	Letter from Carol Spees, President, Spees Oil Company	General objection to revised regulation due as burdensome. Specific objection to increase in fees, fines and costs as excessive, but understands need for periodic adjustment. Objects to: automatic termination after 90 days of non-production; unilaterally “arbitrarily requir[ing] operator to drill a well or modify an existing well”; requiring producers to furnish run tickets on a quarterly basis because they are already provided; requirement that notice be given to BIA that oil tank ready for removal or subject to \$500 penalty as excessive adding admin costs.

Osage Negotiated Rule Making Committee
Summary of Public Comments
April 1, 2013
Page 5 of 20

	Date	Public Comment	Summary of Comment
45	March 13, 2013	Letter from Patrick Wyrick, Office of Attorney General, State of Oklahoma	Discusses what the Oklahoma Water Resources Board does, including regulating right to use stream water and groundwater in Oklahoma. In its current form, 226.24 authorizes the unpermitted use of surface water in Osage County and “[i]n effect, the federal regulation purports to preempt” state law, with “no basis in law.” States that the Osage reservation was disestablished, citing <i>Osage Nation v. Irby</i> .
44	March 13, 2013	Redline submission from Devon and Spyglass, oil producers	226.2(b) adds back in “business check” as form of payment for lease sale and that it is to “be delivered to the BIA at the site of the lease sale”. 226.2(f) deletes provision allowing Minerals Council to request that the Superintendent provide comparables for lease sales. 226.9(a) states that rental is not in line with value of the lease and suggests that rental rate should be based on a percentage of the bonus (10%) and that average bonus at last lease sale was \$29.00 acre. 226.9(e) suggests that automatic termination provisions be extended to 180 days with notice on the 90 th day (as opposed to 90/45). 226.11(a)(2) suggests that royalty for oil should be NYMEX “WTI delivered to cushioning less transportation costs of 2%”. 226.11(b) adds in “marketable” before all references to “gas” so that royalty only due on “marketable gas” and in 226.11(b)(1) also deletes reference to Oklahoma Zone 1 for monthly Index Price in dollars per MMBtu for gross proceeds calculation and inserts “per contract price determined by the Superintendent” and in 226.11(b)(2) deletes reference prohibiting deductions for gas. 226.14(b) extends time for extensions to file statements for gross barrels or Mcf of gas from 10 to 20 days. 226.19(b) adds in requirement that permit from BIA must be obtained prior to drilling to have access on surface for archeological, biological surveys and staking of a well and deletes seismic commencement money. 226.19(d) adds in language so payment of siting production tank fees is negotiated. 226.21A(a) adds in “where possible” at beginning of sentence so that lessee only has to put into marketable condition all oil, gas, other marketable products “where possible”. 226.30 deletes records retention requirement of 6 years and replaces with 3 years. 226.36(e) deletes requirement that Lessee isolate freshwater and other usable water with 5,000ppm or less of dissolved solids and other mineral bearing formations and protect from contamination for freshwater protection – replaces it with requirement that freshwater be protected as determined by EPA Depth of Freshwater. 226.38(b) adds in language that notification to BIA when tank is full is by phone bank that is monitored 24hrs/day, 7 days/wk, 365 days/yr, and modifies language from failure to “inform” to failure “to follow said procedures”. 226.39(b) adds in same phone bank language for notification to Superintendent of

Osage Negotiated Rule Making Committee
Summary of Public Comments
April 1, 2013
Page 6 of 20

	Date	Public Comment	Summary of Comment
			calibrations and adjustments of gas meters. 226.40A(b)(a) adds in "sales" before lines, so provision for min standards only applies to "sales lines" entering and leasing oil storage tanks and changes records retention requirement from 6 years to 3 years. 226.42 adds in language so that lessee has 10 days after notification from Superintendent to rectify any violation of lease terms or regulations before being subject to fines or termination of lease.
43	March 12, 2013 (duplicate transmitted again on March 14, 2013)	Letter from J.D. Strong, State of Oklahoma, Water Resources Board	Objects to 226.24 re water use because it does not acknowledge Oklahoma law and "promotes the incorrect interpretation that a mineral lessee need only obtain the approval of the BIA Superintendent ...in order to take a use water". Wants to make clear that Oklahoma law for stream and groundwater permits apply in Osage County. Suggests amending 226.26 so it reads "Lessee of his contractor's use of water shall be in accordance with the laws of the State of Oklahoma." State has over 100 permits issued for Osage County. Proposes 226.24 be written to read "Lessee or his contractor's use of water shall be in accordance with the laws of the State of Oklahoma."
42	March 10, 2013	Letter from Linda Heskett, Osage Annuitant	Committee moving with haste, cut and paste mentality without discussion of how it applies to Osage. Suggestion that use ONRR and pricing by NYMEX, but not clear if that was accepted or rejected. The court has given until September 2014 to consider regulatory changes. Every member of the Minerals Council should be on the Committee. Items left to be addressed: gas metering, gauging of helium and other non-energy minerals, loss due to overflow of tanks into ancillary lines or standardization to manage production and accounting.
41	March 9, 2013	Email from Roy C. St. John	Excerpt from <i>Osage Nation v. Irby</i> , question as to whether the 10 th Circuit decision is controlling; if BIA fails to establish limitation on concessions, failure to protect the interests of shareholders is likely; Mineral Council members should be forbidden from being engaged in mineral business in their personal activities.
40	March 8, 2013	Draft Redline from Osage County Cattleman's	226.1(e)-(g) capitalizes "L"essee and adds provision that (e)-(g) collectively referred to as "Lessee" and makes changes throughout redline; adds new definition 226.1(h) surface owner; 226.1(p) (formerly (o)), adds into definition what "avoidably lost" does not include -flaring of gas with H2S and venting of gas with H2S; revises 226.1B(a) to adopt all onshore order 1-7 for immediate application and

Osage Negotiated Rule Making Committee
Summary of Public Comments
April 1, 2013
Page 7 of 20

	Date	Public Comment	Summary of Comment
		Association (4 versions of same redline submitted)	authorizes BIA to issue and make effective other on-shore orders; 226.1B(b) adds in protection of “air, land, water, wildlife habitat”, protection of “public health and safety” in lieu of “life” and adds provision that lessee operations don’t “unduly interfere with the ongoing operations and private property rights of the Surface owner.”; 226.1B(c) deletes once annually inspections of leases in noncompliance and adds requirement on monthly until compliance is verified for period of 1 year then at least once annually; 226.2(b) adds provision that “within 10 days following execution of the Lease, the Surface Owner(s) affect shall be notified by the Superintendent that the minerals estate under their surface has been leased”; 226.2(e) Adds provisions that prohibits BIA employees with Headrights to work in the land protection enforcement divisions; 226.6 requires that bonding be 125% of cost of plugging AND reclaiming well site and surrounding land impacted back to condition prior to drilling and adds language that bonds shall not be released until reclamation properly completed; 226.6(c) deletes bonding limitation of max of 20 wells for all leases; 226.9(a) raises a comment/concern regarding this provision and an interpretation that requires drilling on every quarter section to hold the lease because it exposes lessee to increased financial risk and causes excessive impacts to land and wildlife, leases should be structured to allow focused drilling; 226.9(g) & 226.15A, adds in protection of “air, land, water, wildlife habitat . . . overall environmental quality”, protection of “public health and safety” and adds provision that lessee operations don’t “unduly interfere with the ongoing operations and private property rights of the Surface owner.”; 226.16(a) Adds in a provision that prior to entering land to conduct seismic activities that a written agreement be negotiated regarding such activities & requires a surface use agreement before any oil and gas operations can commence; 226.18 retitles this section “Negotiation of Surface Use Agreement with Surface Owner” and sets forth detailed provisions for what Agreement is to include (including all damages upfront, ingress, egress etc) and requires arbitration process to begin is can’t agree and if lessee and surface owner can’t agree on 3rd arbiter, parties must go to state court to get 3d arbiter selected; 226.19 intro and (a): subjects use of all surface land to Surface Use Agreement and in accordance with regulations with the terms most favorable to the surface owner as controlling, requires that operations be conducted in a manner that accommodates surface owner and minimizes intrusion upon and damage to surface lands, adds in same environmental and surface owner interference language in 226.9(g); 226.19(b) changes commencement money for seismic surveys to no less than \$4,000 per linear mile for 2D seismic and no less than \$10,000 per acre for 3D seismic and shall be negotiated in Surface Use Agreement, Requires commencement money for redrilling wells previously plugged, abandoned and reclaimed, Requires compensation of no less than

	Date	Public Comment	Summary of Comment
			\$10,000 per acre equivalent for roads, flow lines and transmission lines, limits drilling to areas stated in 226.19(b)(1)-(4), which sets forth requirements for well pad construction, size (no more than 3 acres for well pad hosting 3 horizontal wells and no more than 1.5 acres for vertical wells and requires reduction in size of wellpad 90 days from well completion to (.75 acres and .3 acres respectively) and requires return of land to "original contour and soil profile"; 226.20 specifies state court as forum for actions regarding settlement of damages (opposed to court of competent jurisdiction); 226.21 references application of Surface Use Agreement and in subsections (c) & (d) references same new provision for arbitration as in 226.18 and allows appeal to state court after arbitration; 226.22 adds in same environmental language as 226.9(g) and adds requirements for oil based drilling fluid being used in a close loopfluid system and being disposed of by recycling or injection, adds that hydraulic fracturing be recycled of disposed of by injection, that all pits be lined with impermeable plastic at least 30mil unless approved by Surface Owner and no surface disposal of drilling fluids or cutting without approved by Surface owner; 226.22(e) adds "impermeable" to plastic and requires pits located at tank batteries to be lined with impermeable 30mil plastic. 226.22A, adds in protection of "air, land, water, wildlife habitat" and "overall" environmental quality and adopts OnShore Orders 1-7 and prohibits venting of natural gas and restricts flaring to provisions of 226.36(f). 226.22A(b) adds in same language as added in 226.9(g) and requires reclamation be done in accordance with Surface Use Agreement. 226.22A(d) deletes "reasonably"; 226.22A(f) this is a newly proposed provision that requires the amount and type of chemicals used in hydraulic fracturing be reported to fracfocus within 60 days of fracturing completion; 226.22B adds in reference to ensuring operations in accordance with OnShore Order 6 and 226.36(f) regarding H2S. 226.23 adds that Surface Owners consent be obtained when Superintendent and Minerals Council grant easements for wells off the leased premises for oil and gas production. 226.24 Makes use of water subject to Oklahoma State law. 226.29(a) for lease terminations other than by cancellation, requires removal of all personal property including electric transmission lines unless agreed to in Surface Use Agreement and requires inspection by Superintendent for compliance and non-compliance results in damages to surface owner. 226.29(d) requires remediation to include returning land to original soil contour and soil profile and plant vegetation per the instructions of the Surface Owner and that Superintendent inspect for compliance and noncompliance results in damages to surface owner and specifies that Lessees obligations and liabilities under this section survive lease termination of oil and gas operations. 226.32(a) requires lessee to report freshwater drilling data to BIA and Oklahoma Water Resources Board and testing be

Osage Negotiated Rule Making Committee
Summary of Public Comments
April 1, 2013
Page 9 of 20

	Date	Public Comment	Summary of Comment
			done within 2,000' of each oil and gas wellbore. 226.35 requires surface casing to a depth of 200' below most current and recommended data/maps for freshwater protection, and requires 3d party before and after testing for water quality with results reported to BIA, and compliance with OnShore Order 1. 226.36(b) requires compliance with OnShore Order 2 regarding well control. 226.36(e) requires compliance with OnShore order 1 and API RP10. 226.36(f) is new and requires H2S gas protections when flaring, including 3d party testing, with results to Superintendent and Surface Owner, and added protections when detections >10ppm. New 226.36(e) prohibits venting of H2S gas. 226.40A new subparagraph (b)(8) requires consultation with surface owner for site security and inclusion of plan in surface use agreement (adds same requirement to new proposed subparagraph (c)(4)). 226.41 requires report to surface owner of all fires, accidents, acts of theft reports and extends reporting to environmental accidents (salt water spills, oil spills, H2S leaks, killing or injuring wildlife or livestock). 226.43 adds \$1000 fine per day "for failure to avoid air, land, water, wildlife habitat or other natural resources and overall environmental quality." Generally agrees with increased fines, but requests they be enforced.
39	March 8, 2013	Email with Letter from Dan O'Toole, Encana Oil & Gas (USA), Inc.	226.9A(drainage) Superintendent does not have resources available to make drainage determinations. Since Osage owns entire estate, drainage is an economic exercise based on differing royalty rates, which complicates the determination and decreases certainty in well planning. Requests deletion of all reference to compensatory damages; 226.11(a)(2) (oil royalty) NYMEX is unrealistic and doesn't take into account price differential due to distance from the hub, and the greater of formulation poses 2 significant issues, payor will be required to perform a manual calculation each month that won't allow use of royalty software, which slows payment and increases cost; and the operator's entitlement to proceeds will be different each month. Requests deletion of NYMEX and wants transportation costs to Cushing, Oklahoma deducted; and that last sentence in (a)(4) be deleted re gravity adjustment scales below 40.0 degrees and above 44.9 degrees be published by Superintendent if market conditions warrant. 226.9(e)(1) (termination of lease) recommends 90 day continuous operations clause that would automatically extend the lease, included on lands consolidated with the lease and so long as additional drilling operations or reworking of operations are conducted on lease or any acreage consolidated, lease would continue. 226.11(b) (gas royalty) gas index prices do not reflect prices operators realize for their production and don't take into account transportation costs, most gas must be transported for treatment. Requests that transportation costs be deducted. 226.19(b) use of surface land,

Osage Negotiated Rule Making Committee
Summary of Public Comments
April 1, 2013
Page 10 of 20

	Date	Public Comment	Summary of Comment
			changes to well pad size needed and Requests language that allows “minimum area essential for operations and shall not exceed two and one-half acres” for horizontal wells and “one and one half acres” for vertical wells, unless authorized by superintendent. 229.19(c) Tank fees should only apply to permanent tanks. Request exception for temporary tanks and no payment for tanks on drilling site. 226.38(b) Notification when tank full, Requests that notification can be given by email, text or phone.
38	March 8, 2013	Letter from Charles A. Ellis, Greyhorse, Petroleum Engineer	Comments to 12 areas of concern to Osage Producer’s Association Board. (1) Bonding of \$10,000 is not unreasonable but it could diminish the number of operators willing to take on large units and field areas with a lot of unplugged wells, in past operator able to limit to only those wells it wanted to put into production. (2) Rental rate increase is extreme and departs from general practice. (3) termination of lease for non-production should be extended to 6 months, it is more workable. (4) Drainage provisions – similar steps have been taken by the Superintendent in the past and is a practice outside Osage, but the Superintendent should provide technical support and any demand to drill should provide an opportunity for rebuttal. (5) NYMEX is unfair and can’t be achieved and likely successfully challenged in federal court, changes basic oil and gas contract without compensation. (6) Producers required to furnish run tickets on a quarterly basis is redundant, if there is need then they should be provided. (7) Agrees that increase in commencement money is reasonable as long as it is credited towards total damages settlement. (8) Unclear why it is necessary to give notice when a tank is full. (9) acknowledges 6 year records retention is applied elsewhere but disagrees with it. (10) Site security plans will not ensure accountability of oil production of a lease. (11) There should be a warning period for failure to mark well and tank batteries, many signs are stolen or disappear. (12) Tying increase in rental rates to price of oil is a high administrative burden, the rental rates should just be evaluated every 5 years or so.
37	March 8, 2013	David B. Metzger, Boje Manager, Boje Oil Company LLC	Opposes most of the proposed changes and urges denial of the changes. NYMEX is no available and unfair; added accounting of furnishing run ticket copies, calling in when tanks are full, documenting seal numbers ad maintaining security plan will be too burdensome to producers and add more overhead to BIA. It is unclear who determines “in paying quantities” for lease production. Many well is the county are ¼ to 1 barrel a day and operated by small producers that may be forced out of business by the new regulations.
36	March 8,	Email from Ted	Concerned about proposed changes. Need more input from private sector. Huge increases in bonding,

Osage Negotiated Rule Making Committee
Summary of Public Comments
April 1, 2013
Page 11 of 20

	Date	Public Comment	Summary of Comment
	2013	Walker, President, Continental Oil & Refining Co.	fines, commencement monies, rentals are out of proportion. Understand need to raise, but need to do so moderately. Is it necessary to raise rental if oil bbl price is over \$100, seems administratively burdensome; questions whether NYMEX is fair because unattainable; early termination of leases should only be for perpetual non-production, not mechanical, modest or non-development reasons; Doesn't see the point in notifying Superintendent when tank of oil full and ready for purchaser pick up; we already furnish run tickets to the Superintendent; record retention of seal numbers and documents for six years is not necessary and is frivolous, labor intense and increases costs.
35	March 7, 2013	Email from Melvin Core, Osage Minerals Councilman (sent by Reta Litner)	Highest posted price has been acceptable to the Osage Minerals Estate, Oil Producers, BIA, Secretary and Osage Shareholders. Unsure as to why it is in the best interests of shareholders to change the price. Using a speculative higher price for oil above posted price would be detrimental.
34	March 7, 2013	Email from John Rougeot, Rougeot Oil and Gas Corp.	Strong concerns regarding the proposed regulations. Been in Osage County for over 40 years, hundreds of small independent producers has kept Osage stabilized, mitigated and benefit the Mineral Estate during negative cycles. Daily oil and gas production will fail if do not lower operating costs, oil pricing is unfair, need to integrate changes gradually for the small producer can adapt and survive.
33	March 6, 2013	Email from Julie Wilson, restricted shareholder and owner of trust property	Concerned that process if fast moving and that there is no deadline until September 2014. Wants all Minerals Council Members included in the decision making process. Would like references to Osage Nation struck.
32	March 6, 2013	Group Letter from 13 Oil and Gas Producing Companies	Changes are collective disincentives to operate on the Osage Minerals Estate. Change in royalty calculation is unfair (having royalty owners paid on a high price than working interest owners receive), increasing rental rates 10 fold will damper sale of leases and discourage operators from drilling in marginally productive areas

Osage Negotiated Rule Making Committee
Summary of Public Comments
April 1, 2013
Page 12 of 20

	Date	Public Comment	Summary of Comment
31	March 6, 2013	Letter from W. Robert Wilson, lawyer	Reviewed 12 suggested changes to regulations. Would like justification to \$10,000 bonding amount because it is in excess of reasonable expenses; to his knowledge no one receives NYMEX prices, already pay highest posted price, which not everyone receives, to go further is onerous and unfair; not sure what notification to Superintendent before selling a tank of oil accomplish; termination after 90 days of not producing in paying quantities – how is that to be determined? If lease produces but does not sell a tank of oil every 3-4 months are so, will lease be canceled, even if the lease is fully developed? What is a site security plan and will it increase expense to operators. NYMEX and Bonding might not be so great to big producers that are coming back into the county but that is not the case with a majority of small producers; bonding is too stringent, willing to work with Minerals Council on this to address issues; site security plans and other requirements impose significant additional disincentives and burdens on operators
30	March 5, 2013	Email from Mark Clemishire, oil producer	States that he is “appalled and embarrassed by the leadership of the Minerals Council” and that “Osage Indians must unite and side with producers.” The new proposed regulations will “destroy the oil business in the osage.”
29	March 5, 2013	Letter from Greg Oliphant, Chairman of the Board, Ceja Corporation	Believes that proposed changes will discourage oil and gas exploration and alter the relationship between the Osage and producers. Believes changes are unfair to producers and punitive. Costs incurred by implementation of the regulations will shorten economic life and existing production base and diminish royalties. Certain changes make it easier to condemn and confiscate certain types of properties. While some changes may be necessary, if enacted as drafted, they will be harmful to business.
28	March 4, 2013	Letter from J. Scott DuCharme, President, Performance Operating Company	226.1B (adoption onshore order etc) allows superintendent carte blanche rulemaking and enforcement authority; 226.6 (bonds) \$10,000 bond is beyond realistic requirements of costs to plug single well and will debilitate most leaseholders, who are small to mid-size operators. Suggests variability \$3,000 per well at <1500’, \$6000 per well at < 2000’, \$9,000 per well less than 2500’ or \$12,000 per well > 2500’, to be determined at time of permitting based on drilling plan; need a provision for release of bonds; 226.9 concerned that automatic termination allows for termination by inaction of Superintendent, also suggests 180 days with notice given by 90 th day, as opposed to 90/45 days; 226.9A drainage – definition in 226.1 insufficient and drainage unlikely to incur except in leases that

Osage Negotiated Rule Making Committee
Summary of Public Comments
April 1, 2013
Page 13 of 20

	Date	Public Comment	Summary of Comment
27	March 2, 2013	Letter from Bruce A. Fadem, Great Southwestern Exploration, Inc.	border the Estate, need more clarification on who will make drainage determination as that term is defined; 226.11 royalty should not be calculated based on NYMEX or any exchange market, it may be simpler and be an attempt to increase royalty paid to the estate it is a punishment to producers, suggest that royalty for oil be same as gas – not less than 20% of gross proceeds of sale. Changing royalty violates lease terms; 226 13(b) suggest adding “or his authorized representative” after Lessee; 226.19 no further changes are needed to this section and consent to modernization of commencement fees, objects to public comment suggesting a surface use agreement and full damages upfront because it is impracticable and allows surface owner to impede development; 226.38(b) objects to notification of full tank as cumbersome and no system in place now to facilitate requirement; 226.42 use of penalties should be limited to benefit Minerals Estate. Small operators will be drastically affected by proposed regulations. Immediate terminations of lease hold violations being proposed that have never been considered before – circumstances not always under their control; bonding of \$10,000 – unclear if it applies to old producing wells or only new drilled wells – if it goes into effect, it will be disastrous for marginally producing wells and producers will shut low volume producers, which will result in loss of employment; extremely concerned with termination due to mechanical breakdown (i.e. in past it took 43 days to get well working again); operators in Osage County and OK have never had to provide monthly oil sales information; there may be an need to change scheme for new production, there is no reason to change for “older settled production”, plugging and environmental concerns for horizontal wells require different techniques than traditional vertical wells.
26	February 27, 2013	Submission by Ron P. Reed, Rancher	Requests that the Committee allow 30 days for surface owners, legal counsel and experts to review all proposed changes before voting to accept or deny. 226.18 – prior notice to surface owners prior to first entry by lessee regardless of the activity, including staking of a well, should be required and if disagreement arbitration would commence; 226.21 there are guidelines if Superintendent does not make a ruling and there are no timelines. Suggest that the process go to the state district courts in event there is a disagreement. Fresh water in Osage County must be put to the highest standard, BIA is using outdated fresh water zones and maps, these need to be brought up to date. Requests a countywide survey of every well in Osage County to satisfy without a doubt that all fresh water wells have utmost protection from contamination from any source.

Osage Negotiated Rule Making Committee
Summary of Public Comments
April 1, 2013
Page 14 of 20

	Date	Public Comment	Summary of Comment
25	February 26, 2013	Outline of Positions/Requests with Exhibit A, Osage County Cattleman's Association	Proposed revisions are inadequate because they do not go far enough in adopting best management practices being used or change more egregious provisions of the current regulations; process is flawed because it is rushed and without comprehensive involvement of surface owners. Committee denied a request to form a surface owners subcommittee. Immediate Steps needed: Moratorium on H2S flaring; protection of fresh water; comprehensive outside review of oil and gas program needed; multi-agency coordination meeting needed; pull enforcement from conflicted BIA and give to BLM (BIA performs management/enforcement and royalty collection). Note: Appendix A provides general and specific comments to sections of the proposed regulations, which were later incorporated into a redline submitted on March 8 and are outlined under that entry.
24	February 25, 2013	Causes and Effects of Chronic Problems at BIA-Osage Agency & Solutions by Bob Jackman (corrected copy)	Sets forth "personal observations" and opinions regarding management of the Minerals Estate, proposes solutions: changes to titles of employees and filling of vacancies; employ new petroleum geologist; add higher grade employees; modernize agency software; implement \$60-75 million county wide land restoration and plugging; fund \$5 million initial and every year after, study on water; include industry and surface owners on Committee; BIA and Minerals Council join OK Interstate oil and gas compact; enforce national electrical code; require meeting and cure before 6 month no production automatic lease termination
23	January 25, 2013	Letter submitted by Dale Vermillion	Copy of 2003 letter from Bert Wiens State Electrical Inspector and Richard Winlock regarding Reada Cable
22	January 25, 2013	Letter from Ron Reed, Surface Owner	H2S gas and no mineral regard for anything or anyone on the surface may cause last year's greater prairie chicken viewing to be "the last rodeo." We have experienced many problems with vague and out of date rules and regulations. H2S gas is hazardous and exposure to amount of 10pp is harmful, in 2009 a well was drilled on our surface that produces oil and H2S gas and to date efforts to control have been "calamity of trials and errors". Neither BIA nor Minerals Council have mandated control of H2S gas.

Osage Negotiated Rule Making Committee
Summary of Public Comments
April 1, 2013
Page 15 of 20

	Date	Public Comment	Summary of Comment
21	January 25, 2013	Letter from John and Theresa Hendrix, Kenzie Cole Ranch	Owners of 576 acres in Osage County that purchased for recreational activities and livestock production. Property has 9 active well sites, 2 active salt water disposal wells, 2 tank batteries, 2 inactive wells (unplugged and pump jack still there and out of service for 15 years), exposed pipe across land. More wells and activity since first purchased property. Concerns and issues regarding oil and gas operation have not yielded any results from BIA in the past and have caused interference with active turkey season, wildlife, and conservation easements. BIA mishandling process. Arbitration process is not working and goes in oil company's favor. Damages paid to us were lower than surface damage rates in Oklahoma. 226 currently has cheapest standards for oil and gas activity, are degrading to the environment and avoid the rights of surface owners. Asks for significant changes to improve surface owner relations, protect the environment and promote fair surface damage. Arbitration process should be changed, all pipelines should be buried, environmental standards should be set, should allow surface owners to settle damages at least at level of regional prices; allow surface owners to set up rental options for tank batteries and other field equipment; allow negotiation over water use; allow surface owners to negotiate tax implication issues on lands no longer suitable for use by surface owner; require surface agreement before drilling begins.
20	January 25, 2013	Letter from Robert Hamilton, Director, The Nature Conservancy	Background on The Nature Conservancy (TNC). Preserve has 220 operating oil and gas wells. Concerned about H2S has and recent drilling of 3 horizontal wells that have high concentrations of H2S and producers are flaring the gas, which raises concerns regarding air quality. Flaring of gas causes problems with habitat, i.e., burying beetle, an endangered species, is nocturnal and is drawn to light sources, so open flares are a threat. TNC has worked with operators to address this issue and ensure no light is emitted from stacks, but flaring of H2S is still a concern. Water quality and quantity is also a concern – risk hydraulic fracturing causes to groundwater integrity. Questions validity of freshwater data used by BIA to determine depth of casings. Requests BIA to update data and 226 should mandate lessee determine baseline water quality of all adjacent freshwater well prior to drilling and regularly monitor. Wildlife conservation should be incorporated into 226 – oil and gas practices should be modified to lessen impacts on wildlife. BIA should increase its field capacity and transparency.
19	January 25, 2013	Letter from Thomas E.	Concerned a catastrophic event will occur at Osage and “someone will be injured or killed from a well control blowout, fire or a H2S incident.” Current regulations are outdated, not kept up with best

Osage Negotiated Rule Making Committee
Summary of Public Comments
April 1, 2013
Page 16 of 20

	Date	Public Comment	Summary of Comment
		Williams, Sr. Advisor to the Environmentally Friendly Drilling Project	practices, industry standards and commonly used technology. Redline of the regulations isn't good enough, need to be re-written. There are other state models that can be used, objective experts like Environmentally Friendly Drilling and others who can assist in the process. Provides references for models and tools that could be helpful. Attachments include information for the Environmentally Friendly Drilling program and wellbore criteria information.
18	January 24, 2013	Submission by Rob Lyon, President, Osage Producer's Association	Figures and chart comparing lease production on current lease and difference between posted price and NYMEX (cost to lessee)
17	January 23, 2013	Email from RD Farr, Manager, Osage Land & Cattle, Osage Buck Creek	Issues with saltwater spills and oil spills in Osage County with no help from BIA so they don't even report spills, instead call operators directly with varied results; need help patrolling operations and getting follow through on clean up; rules outdated; no enforcement; operators should be required to use best practices and conduct operations in safe manner.
16	January 23, 2013	Email from Susan Forman, Osage Shareholder; Continental Resources	Urges Committee to ensure industry standards are required for all natural gas measurement and true market value is attained for all production in Osage County, OK. Gas Measurement for royalty should be in accordance with American Petroleum Institute's Manual of Petroleum Measurement Standards. Wants gas valued based on published price indexes because Mississippi Lime gas stream produces higher GPM, which attains higher values. Wants any product removed from gas stream upstream of natural gas plant and resold to be added to royalty.
15	January 22, 2013	Email from Susan Forman, Osage Shareholder and tribal member; Continental Resources	Interested in how the Committee will improve measurement and value of natural gas reserve

Osage Negotiated Rule Making Committee
Summary of Public Comments
April 1, 2013
Page 17 of 20

	Date	Public Comment	Summary of Comment
14	December 21, 2012	Email from Jeff Henry, Osage County Cattleman's Association	Current regulations are inadequate and do not protect the interests of the surface owners and land, including pollution, impacts to public health devaluation of land due to roads, pipelines, inadequate enforcement. Requests changes to address these impacts and improvements in enforcement.
13	October 29, 2012	Letter from Michael L. Brown, GBC Petroleum, Inc.	NYMEX royalty pricing makes no sense because those prices aren't available to producers (BIA making decisions counter to citizens they are to protect); early terminations should only happen when "perpetual non-production" not mechanical, modest production or non-development reasons (independent producers have their own set of circumstances and should not be penalized other than perpetual non-production); electronic reporting is too burdensome, internet access difficult in Osage County; why is there a need for gauging and meter calibration changes – producers get calculations from purchaser. Requests more input from private sector.
12	October 22, 2012	Handwritten letter from Frederick Drummond	Concerned that existing contracts could be abrogated; tribe could arbitrarily void contracts by saying they are no producing enough, which will result in loss of credibility of Tribe; NYMEX ties to "derivations and exploitation by hedge funds as speculators." Provide more money to the BIA, they are underfunded and unable to act as quickly as producers would like.
11	October 13, 2012	Email from David Metzger, Boje Oil Company LLC	NYMEX and Oklahoma Zone 1 royalty pricing in not fair because those prices aren't available to producers; early terminations should only happen when "perpetual non-production" not mechanical, modest production or non-development reasons; electronic reporting is too burdensome for producers and should be handled by BIA; gauging, meter calibration should not increase labor requirements of producer.
10	October 12, 2012	Letter from Andrew B. Siegel, President, Glenn Supply Company, Inc.	NYMEX and Oklahoma Zone 1 royalty pricing in not fair because those prices aren't available to producers (contracts producers negotiate with purchasers are fair); early terminations should only happen when "perpetual non-production" not mechanical, modest production or non-development reasons (wells can be non-productive for several reasons and should be scrutinized before termination); electronic reporting would be beneficial, but questions extent of reporting placed on producers and wants more defined guidelines; gauging, meter calibration should not increase labor requirements of

Osage Negotiated Rule Making Committee
Summary of Public Comments
April 1, 2013
Page 18 of 20

	Date	Public Comment	Summary of Comment
			producer (equipment already in place and additional equipment would increase costs).
9	October 11, 2012	Email from Jerry Roop, Vice-President, Perkins Energy Co.	Requests more input from private sector. NYMEX and Oklahoma Zone 1 royalty pricing in not fair because those prices aren't attainable regardless of where production is located; early terminations should be made for valid reasons not someone's perception; not opposed to electronic reporting if done properly and isn't a burden on producers, smaller producers don't have resources to develop software; proposed changes add labor costs to operator.
8	October 8, 2012	Email from J.Scott DuCharme, President, Performance Energy Resources LLC	NYMEX and Oklahoma Zone 1 royalty pricing in not fair because those prices aren't available to producers; early terminations should only happen when "perpetual non-production" not mechanical, modest production or non-development reasons (it is essential to keep smaller and new wells protected); electronic reporting is too burdensome for producers and should be handled by BIA; gauging, meter calibration should not increase labor requirements of producer. Future value of oil and gas depends on lessee's operating expenses, if cost is too great for small wells future reserves will fall to zero on many wells. Important to consider impacts of cost on wells.
7	October 8, 2012	Email from Robert Lyon Jr., President, Osage Producer's Association	Details what producers currently provide in paper for reporting and that "to suggest that producers should be submitting a digital copy of this report is ludicrous" because most don't have the capability; purchasers have digital records of run tickets not producers; requiring producer to "call-in" when gauging is being done adds burdens on producers "the producer is already bearing an enormous burden of regulations as it is."
6	October 8, 2012	Letter by Marion Graham, Graham Oil Company	NYMEX and Oklahoma Zone 1 are not feasible royalty pricing mechanisms for oil and gas because they are unattainable by producers; early terminations should only happen when "perpetual non-production" not mechanical, modest production or non-development reasons; electronic reporting is too burdensome for producers and should be handled by BIA; gauging, meter calibration should not increase labor requirements of producer. More input from private section should be included.
5	October 4, 2012	Email from Robert Lyon Jr., President, Osage	Requests more input from the private sector. NYMEX won't work because none of the producers get that price, they only receive a percentage of that price, differential goes to the purchaser. In January 2009 oil was \$28/barrel at a cost of \$40/barrel so producers were losing money. Early termination of

Osage Negotiated Rule Making Committee
Summary of Public Comments
April 1, 2013
Page 19 of 20

	Date	Public Comment	Summary of Comment
		Producer's Association	leases – what if only sell 2-3 tanks a year, that is paying quantities, but it is suggested that termination after 2 months for perceived non-production. Forcing producers to drill wells to other targeted formation because an offset well has success is ludicrous.
4	September 27, 2012	Study Presented to US Dept. of Interior's BIA Osage Negotiated Rulemaking Committee by Bob Jackman	Discusses structure of Oklahoma Commissioners of Land Office and compares from individual (as opposed to BIA) sources, staffing with BIA Osage Agency, notes that Osage doesn't have a separate Royalty Compliance Department. Recommends BIA visit one or more State Mineral Trust to gain new productive management insights.
3	September 20, 2012	Email from Nona Roach, Agape & Associates Inc. with comments and attachment of her oral public comment presented on 9/19/12	Representing Encana. Approved drilling permits are taking too long, lack of staffing, takes too long to get a final signed approved lease, lessee's don't know where they are at in the process, seismic permits take too long, system does not work now.
2	August 16, 2012	Establishment of Rulemaking Committee by Joanna Barbara, Annuitant	Objects to Osage Minerals Council as governing legal body over Minerals Estate and that Committee violates personal property rights because Committee includes people who do not legally represent the Osage Tribe under the 1906 Act. There is an administrative appeal pending regarding an election dispute at Osage.
1	Not dated	Memorandum from Melvin Core	Discusses problems with operators getting access to surface lands and history of the problem. Urges the federal government to enforce the requirements of the regulations which allow for use of surface that may be reasonable for operations otherwise, the work of the Committee will have no effect.

