

TRIBAL MEETING

TRANSCRIPT OF PROCEEDINGS OF THE
OSAGE TRIBAL CONSULTATION MEETING
MARCH 30, 2023, COMMENCING AT 9:30 A.M.
OSAGE CASINO - TULSA
TULSA, OKLAHOMA

REPORTED BY: KEVIN LEE IDLEMAN, CSR #1652

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1 (Invocation)

2 PROCEEDINGS

3 MS. KOKINOS: Good morning everyone. As you
4 can see, we have mics on the table in front of everyone.
5 There's one per table just so there's no feedback. You
6 can control whether or not your mic is on just with a
7 button. If the light's on, your mic is on. If the
8 light's off, your mic is off. We ask that when you're
9 speaking you bring the mic to you, that way the court
10 reporter's able to hear you. And also when you start
11 speaking if you could just give your name so that he
12 could record the person who is speaking, that would be
13 very helpful.

14 MR. STREATER: If anyone -- you might want to
15 silence your phones. Just put them on vibrate if you
16 get anything that you need to step out with. And if
17 anyone at the back wants to come up to the front table
18 where we don't have this great divide here where one
19 side is the Tribe and one side is the government. We
20 just didn't know how many people were going to be here
21 and we wanted to be prepared for as many as possible.

22 MS. KOKINOS: Once everyone gets seated, we'll
23 go around and do introductions.

24 MR. STREATER: Chief Standing Bear and
25 Chairman Waller, we appreciate you spending time with us

1 today on these important matters.

2 Do you want to start on your side with
3 introductions, Chief?

4 CHIEF STANDING BEAR: Yes. Thank you,
5 Director Streater. My name is Geoffrey Standing Bear.
6 And it's spelled G-e-o-f-f-r-e-y, Standing Bear is just
7 like it sounds. I'm Principal Chief of the Osage
8 Nation. And to my right is our Osage Nation Attorney
9 General Clint Patterson. And then we have Assistant
10 Principal Chief R.J. Walker. And to my left, I think
11 I'll just hand it over to Chairman Waller. I think your
12 attorney, your team can take it over from here.

13 CHAIRMAN WALLER: Thank you, Chief. Address
14 each and every one of you. The ones I don't know, I
15 just want to tell you, it's a great honor to have you
16 here in the greatest nation in the world.

17 This is our area of our homeland. We've been
18 here since the ice age out of Missouri. So, all the
19 information that mostly you hear is someone's
20 interpretation. But I have my full blood brothers here,
21 my counsel. We want to and respect is something that
22 was given to us by people a long time ago. With that,
23 of course, I'm supposed to start off I'm Everett Waller.
24 Happily I'm serving my third term as the Chairman of
25 Osage Minerals Council. It's a great honor for me.

1 Brother and I are some of the few. I've set on three
2 governments for the Osage. I've set on a national
3 council, tribal council and minerals council. And I was
4 voted in by village committee when I was 17. I'm a
5 participant in all traditions. Like brothers and I
6 here, we all have a certain place in our lives. It's a
7 long introduction. But I think for the ones that are
8 new here, we would like to have you to know why it's
9 respectful for us to have you here. And we have to deal
10 with hard things in life. I get very few times where
11 it's all something easy. And as Chief's grandfather
12 said, we were meeting people. And in that meeting, it's
13 a 24-hour event you do items to get through this in this
14 prayer. And with that, his comment was that if it's
15 easy, everybody would do it. But with that being said,
16 also, a member -- got to be an advisor for my Illonshka
17 (phonetic). It's a drum that was brought to the Osage
18 in 1870 from a tribe that couldn't keep it no more.
19 They said that there's one group left that's going to be
20 tough enough to do it, and it was us. And I'm happy to
21 say that I live next door. I live in my great
22 grandfather's house. Former assistant chief. My other
23 great grandfather is the other assistant chief and
24 brothers and grandfather. So, we grew up in a home like
25 that. And on my behalf and representing my people, I

1 just want to tell them is that I think about our
2 children the most.

3 When I become a grandfather, it really sets
4 aside this because I've done this so long is that I've
5 always looked at, what is going to be here after I'm
6 gone because it's not about me. It's about us. It's
7 about our future. And with that being said, we
8 appreciate you all being here. Our new superintendent,
9 first time we've really had an official visit. I
10 appreciate you being here. Eddie has been around since
11 I've been around. And, you know, that's getting kind of
12 uncommon to see now days. But with that, Kristen, and I
13 hate to go just by first names, but I feel like I want
14 to say that today. I want to thank Mitch and all of you
15 and the ones I don't know, I want to thank you for being
16 here.

17 And with that I would like to have Rollie
18 start off and let my counsel do an introduction.

19 MR. WILSON: Thank you, Chairman. Rollie
20 Wilson. I'm attorney for the Osage Minerals Council.

21 MR. REVARD: My name is Paul Revard. I'm
22 serving my second term as an Osage Mineral Council
23 member.

24 MR. CHESHEWALLA: My name's Joe Cheshewalla.
25 Serving my second term. Work for the Bureau for 30

1 years in the minerals department. And I'm in Grey Horse
2 district. Thank you.

3 MR. RED EAGLE: Myron Red Eagle, Osage Mineral
4 Council.

5 MR. SHACKELFORD: My name is Anthony
6 Shackelford, Osage Councilman for Osage Nation. Thank
7 you.

8 MR. BIGHORSE: I'm Kenny Bighorse, Jr. Osage
9 Minerals Council.

10 MR. BURNETT: Lee Burnett. I work with BIA.
11 I'm the Supervisory Petroleum Engineering head.

12 MR. MCKINLEY: And I work for the Department
13 with the BIA. And then we process all the permits that
14 come through.

15 MS. THOMAS: Candy Thomas. I'm the director
16 of strategic planning and self-governance for the Osage
17 Nation.

18 MS. ANDERSON: I'm Julie Anderson, the Acting
19 Superintendent at the Osage Agency.

20 MS. WILLIAMSON: Good morning. I'm Tracie
21 Williamson and I'm the Deputy Regional Director at the
22 Eastern Oklahoma Regional Office of the BIA.

23 MR. VIGIL: Allen Vigil, ONRR Enforcement
24 Supervisor.

25 MS. GOTHBERG: Good morning, everyone. I'm

1 Cindy Gothberg. I'm with Royalty Valuation Guidance
2 with ONRR.

3 MS. SEADER: Morning everyone. I'm Tonisha
4 Seader. I'm the manager of the Data Intake Validation
5 and Indian Coordination group at ONRR.

6 MS. LOCKLER: Good morning. April Lockler.
7 Program Manager for the Data Intake Solution and
8 Coordination program at ONRR.

9 MR. SUDAR: Good morning. My name is Robert
10 Sudar. I'm with the Office of Natural Resources
11 Revenue. I supervise the market and spatial analytics
12 team. So the team that calculates the NYMEX prices that
13 we publish, and the index prices that we publish.

14 MR. TEMPLIN: Good morning. I'm Dane Templin.
15 I'm ONNRs regulation supervisor.

16 MR. COLLINS: Good morning. Matthew Collins.
17 ONRR's Program Manager over appeals and regulations.

18 MR. MOUTON: Good morning. My name is Mitch
19 Mouton. I am the Tribal Liaison with ONRR. I've been
20 coming to the Osage Nation since 2012. I know most of
21 you. And I am pleased to know you.

22 MR. STEVENS: Good morning, everyone. My name
23 is Bart Stevens. I'm the Deputy Director for the Bureau
24 of Indian Affairs. I'm duty stationed in Albuquerque.
25 Central office is my -- where my role resided

1 previously. I'm an enrolled member of the San Carlos
2 Apache Tribe. I am also Northern Ute and
3 Shoshone-Bannock where I was raised on my mother's side.
4 And also ancestry from the Gila River Community in South
5 Phoenix. I've been with the Bureau of Indian Affairs a
6 few years. I have been more so with the Bureau of
7 Indian Education where I started my federal career
8 almost 16 years ago. I'm happy to be here. And I'm
9 honored to be a part of this conversation. But with it
10 I also bring forward, not just the interests, but the
11 knowledge and what we bring forward and understanding
12 the perspectives that are going to be shared here today.
13 I appreciate the prayer. Thank you very much for that,
14 and your opening comments, Chair and Chief,
15 respectively. I'm happy to be here. And thanks for the
16 welcome.

17 MR. STREATER: Good morning. Eddie Streater
18 with the Eastern Oklahoma Regional Office. And like I
19 said, I appreciate everyone taking the time to sit down
20 with us this morning and this afternoon to go through
21 the proposed rule. And obviously it's of utmost
22 importance to everybody in the room. And we want to
23 make sure that we take as much time as needed to go over
24 every issue. I set out the PowerPoint that was used in
25 the public comment. It's been edited a little bit. It

1 does refer to public comment. But mainly it's just --
2 the PowerPoint goes over the high points of the rule.
3 It was just a talking point if someone went through it
4 and saw something that was -- that may jog your memory
5 on a question that you may want to ask or a comment that
6 you may want to make. So just feel free to use it as
7 you want to. I'm not going to go through it as we get
8 into the public comment page by page. I think everyone
9 has read the proposed rule and has a pretty good grasp
10 of how to go forward today. There again, I appreciate
11 everybody. Appreciate everybody from ONRR and everybody
12 from the Tribe and the Minerals Council.

13 MS. KOKINOS: Good morning. My name is
14 Kristen Kokinos. I'm a Senior Attorney from the Indian
15 Trust Litigation Office, Office of the Solicitor, in
16 Washington, D.C.

17 MR. SIMPSON: I am Stephen Simpson. Good
18 morning. I am also a Senior Attorney in the Solicitor's
19 Office, Division of Indian Affairs, in D.C.

20 MR. STREATER: Well, I think that's everyone.
21 The court reporter is set up. So, we are going to go
22 ahead and kick this off. I just want to first preface
23 this by saying the purpose of this government
24 consultation is the Bureau of Indian Affairs' proposal
25 to amend the 25 CFR Part 226, the leasing of Osage

1 Reservation lands for oil and gas and mining. That's
2 what we're here for today.

3 I don't know if you, Chief, or whichever one
4 of you had any prepared statement for the court reporter
5 that you would like to lead off with or just feel free.

6 CHIEF STANDING BEAR: Director Streater, yes.
7 This is Standing Bear. We appreciate this opportunity.
8 And we will -- for the Nation's view, watch and serve as
9 the Minerals Council, the Chairman take the lead.

10 I do want to state our position generally is
11 encapsulated in the first bullet point in a way that we
12 have a strong disagreement. And I'm not saying this for
13 conflict purposes because I think our purpose here is to
14 resolve conflict. But the goal of these regulations is
15 said to be; first off, strengthen BIA's management of
16 the Osage Mineral Estate.

17 Well, our whole approach, and what we talk
18 about in our offices at the Nation, is how can the
19 federal government strengthen the Osage Minerals Council
20 management of our Osage Mineral Estate. And that's just
21 the opposite, I think, of the situation that's being
22 presented to us. And that very first point needs to be
23 resolved.

24 Now, we all understand that Osage is unique.
25 It has unique laws, which make application of other laws

1 difficult, like TERA and others. And I think we all
2 understand all of that. But you need to know that
3 whatever is presented, the way I look at it, the way
4 that the Nation, we look at it, is how can the federal
5 government strengthen management of our mineral estate
6 to be in the hands of our Minerals Council, but to
7 maintain the trust responsibility. And we believe in
8 our own research and discussion that may take federal
9 legislation. And we would like to see, as we go through
10 the work on the regulations, we would like to see the
11 BIA and the Nation, the mineral estate, form some sort
12 of group to work on the issues if there's any federal
13 legislation that's holding us all back, how can we
14 propose amendments to the federal legislation that would
15 accomplish what I said. Instead of strengthening BIA's
16 control over the mineral estate, strengthen our minerals
17 council's control over the mineral estate.

18 So, I think there's a solution there but I
19 don't believe, just working through the regulations is
20 going to be enough, because there are mandates generally
21 and unique to the Osage from Capitol Hill that we could
22 make recommendations jointly. And I think moving on
23 that quickly will show some positive steps toward our
24 producers, who I, on the way down here, I saw one. And
25 he just flat out asked me, I was getting some gasoline,

1 and he said, Chief, why is the BIA even here. He's a
2 third generation producer. And that's a complicated
3 response. So, I said, well, you know, it's a
4 complicated response. I got to go. So, it is. And I
5 think if we just fight about it, we are not going to get
6 there. So, I would like to see some of the resources of
7 the Department of Interior, coupled with resources of
8 Osage Nation Mineral Estate, find some solutions as
9 alternatives to these regulations that the BIA provides
10 technical assistance, keep the trust responsibility
11 that -- and we can figure out internally how that -- how
12 we can get the control of our own property, which we
13 bought with our own money in 1872, how we can get
14 control and strengthen management and still maintain the
15 relationship that we established in treaties and through
16 the legislative purposes. But I do think federal
17 legislation, Chairman Waller, does restrict us what we
18 can do. And that's just my observation. I would like
19 that matter studied while you go through these
20 regulations.

21 So, I just think that after that, I don't know
22 if I have anything else to say except to observe. But
23 right there, that first goal sums it up. That's where
24 we ought to concentrate. Thank you.

25 MR. STREATER: We can certainly clarify that

1 for you, Chief, if Kristen wants to --

2 MS. KOKINOS: So, I wrote the PowerPoint So,
3 I'll take responsibility for that first bullet point.
4 So, I understand now hearing you say that the way that
5 it sounds. So, we were using language that was used
6 directly in the 2014 OIG report where the title of the
7 document was BIA must Strengthen Its Management of the
8 Mineral Estate. But by strengthen we didn't -- it's not
9 meant in the way of control, it just meant improvement
10 of processes, procedures and management. So, I just
11 wanted to clarify that for you.

12 MR. STREATER: And certainly these regulations
13 are in no way, shape or form meant to be an impediment
14 to the Nation's view on contracting the program or
15 moving forward in any type of self-determination mode.

16 CHIEF STANDING BEAR: Let me -- I got to keep
17 it back. Let me give you an example. We have Minerals
18 Council working with our federal congressional
19 representatives on how to return headrights. And then
20 we have this situation, which we all know of, is that
21 the Osage Tribe in 1906 Act is the owner of the mineral
22 estate, but the beneficiaries are the headright owners
23 and some of them aren't even Osage. So, all of that has
24 to be addressed. And I think that we've all looked at
25 that issue and talked to the solicitors before

1 Mr. Woodcock retired, and saw the 1978 amendments went
2 in a direction to allow some of this to come back. But
3 according to Alan, and I agree, the 1984 amendments made
4 it practically impossible. So, there needs to be some
5 legislative, federal legislative solution because we
6 couldn't figure a way to do it within the Osage Nation
7 Government and the Executive Branch of United States,
8 BIA.

9 So, there's an example, I think, that we can
10 all agree. And I think there are all through this issue
11 examples where we can work together to find some
12 legislative remedies, and still leave enough discretion
13 to the Secretary of the Interior and over to the Osage
14 Nation to get what we all want, which is value and
15 protection of our mineral estate.

16 CHAIRMAN WALLER: 22 years ago setting here,
17 as a Tribal Council we had some efforts and, of course,
18 you just said '74. I started at the Agency and I wanted
19 to make this my opening comment. I was a Bureau
20 employee. I was a GS2 in 1979. I saw some of these
21 acts. I want to respond to what my Chief has just said.
22 That's our Chief, our Council. We have some concerns,
23 as you well know. But the policies, procedures and
24 guidelines, just like I wrote for Federal Highways
25 Administration, you have to have caveats in here that

1 can recognize a situation of the Osage. Specifically
2 I've done these guys' job. It's a tough job to
3 implement the rules and regulations of the CFR Code, but
4 they're gospel. So, we took care of that. What we have
5 found out now is that the situation has arisen where
6 other peoples are always trying to look at where is our
7 chink in our armor. And a lot of it was over the effort
8 in which they looked at these codes and regulations.

9 How many times we get sued over environmental
10 policies. So, we came back to the table. Took care of
11 an EIS. Tried to push that in. But even the rules
12 themselves, you are bringing in a new system. And I
13 appreciate ONRR's being here, because that's exactly
14 what we need. Somebody needs to know where the money's
15 at, period. I can't tell you what I did 22 years ago.
16 But if you went through the GOA, it went through a
17 settlement process, and I didn't support it. I tell you
18 why is there's So, many things out there that were
19 missing for the Osage. My own personal reasons is that
20 I'm not going anywhere. I've got seven generations of
21 my people or more buried here. And I plan on putting
22 seven more down, Lord willing and the creek don't rise.
23 But on my Council's behalf, I would like to turn it
24 over.

25 And my closing comment will be, everything can

1 be adapted here. You have to show the uniqueness of it.
2 You are being forced to follow us into an element in
3 which the Osage doesn't have to go, period. And that's
4 fitting your thoughts on federal lands, federal
5 property, things of that situation. That's all on
6 government element. And I understand that. You've got
7 the parks. You've finally got some permits done up in
8 Alaska that they said they weren't going to do.

9 So, let me ask you this, if you can get some
10 kind of billion-dollar project up there, we've got down
11 to the bottom of the barrel. There is no way but up.
12 And I can tell you that. Sitting on some of these
13 councils, I get to be proud owner of the lowest payment
14 ever made to the Osages. Man, that's not going to be my
15 legacy. Chief and I are going to work on other issues.
16 And the problem we have, is you have not given our
17 Superintendent enough power. You give it to him in
18 these regulations, but you don't give them the power
19 that we used to have as a Tribal Council to bring our
20 Superintendent in and repair the damage on the spot.
21 They have to have that. If they are not given that
22 effort, Chief and I cannot logistically put this into
23 place and bring our production up. That's number one.

24 My god, I'm going to go down in history I
25 plugged more wells than I drilled. Lowest payment ever.

1 I'm lucky I can even go to Wal-Mart. And Chief's right.
2 We can't even gas our vehicles up because we live here.
3 And that's the other issue is that -- don't take this
4 personally. One time one of my greatest friends,
5 Superintendent Jim Fields, come up to the Council and I
6 mean he took a beating. But he always said something
7 that I've always remembered, not only did I respect the
8 man, but it was his answer. You let me fix it, and
9 that's what we need here. You got to fix it. We are
10 going to review some of these. I concur with the Chief
11 on every item. I'm in the room coming up. We are going
12 to ask our United States senators and congressmen to
13 come in and help us. I've been in federal court every
14 day I've been Chairman. Never been a day without it.

15 This morning, yeah, I have to make those
16 calls. What is the debate. What is the effort. Got to
17 pay our bills. And we've got a group that's -- you're
18 enjoying concert with us in this case that doesn't want
19 to recognize our sovereignty. On the souls of my
20 people, I tell you what, that will be the last thing we
21 give up is our sovereignty. Our traditions are strong.
22 Our situation now, when I bought this place you're
23 sitting at, we had zero funds. I was on a Tribal
24 Council that every dime was allocated. Now we have a
25 situation of a government looking at expansion. We

1 don't need new rules. We just need the power sitting in
2 the room with us to fix the problem. And that's part of
3 me, yours logistics. I mean, I'm in the GOA report.
4 That happened to be one of my elements.

5 I could tell you this is that when you get a
6 quote from Koch Oil that said they deserve a barrel for
7 every two they had to pay for, you should have hung the
8 bastards. That's what you should have done. Now you
9 got them in here complementing. They are going to
10 Washington ahead of us. I'm in a court battle with my
11 Council against an \$82 billion corporation. That's
12 wrong. I should be living the life of Riley. On my
13 fifth term it should be nothing by roses and dancing and
14 it's not. And I don't want to have it. Because my
15 thought is my creator put me here. Brother and I, we
16 live that. These men and ladies, we live that.

17 And with that being said, I would like to ask
18 my Council if they would have any comments. Is it okay
19 just to turn it over?

20 MR. STREATER: Sure. Any way that you want
21 to.

22 CHAIRMAN WALLER: With that being said, my
23 closing comment is that one time I caught a guy stealing
24 oil. Come back and forced him to. Three men, I thought
25 they was going to kill me out there at Mark Freeman's

1 place. Only reason I made it out alive is Mark Freeman
2 stayed late with them horses and watched me go up, make
3 them put it back. Got back to the office, got in
4 trouble for it. Well, you might have ruined the tank.
5 You might have done that. No. You're the chief branch
6 of minerals. You should be smart enough to know I
7 didn't hurt anything. But the closing comment is that
8 evening they drove the truck to Drumright, cut it in
9 little pieces, and that was it. You cannot turn away
10 from us now. We are in a full battle to represent our
11 Nation. And by God, we'll go where it counts.

12 I have wrote a letter on behalf of my Council
13 to the administration now. You think I get a call back?
14 No. I'm having to apply with the Nation for federal
15 plugging dollars that the responsibility is still under
16 federal trust responsibility of my guardian. You're
17 basically my guardian.

18 The last comment, I got to say this. Is that
19 don't look at it as anger. Don't look at it as take
20 something personal. I have no choice but to get it
21 right. I have no choice. With that, Brother, I would
22 like to turn it over to Council.

23 MR. REVARD: Thank you. Again, my name is
24 Paul Revard. In addition to being one of the Osage
25 Mineral Council members, I am also an oil and gas

1 producer. And have started my oil and gas career in
2 Osage County. Of course had wells elsewhere all over
3 Oklahoma, Texas, Michigan, Arkansas, Kansas, Canada.

4 But I started -- I drilled my first well when
5 I was 25 years old just north of Pawhuska in 1977. And
6 it used to be fun for one thing. Used to be a wonderful
7 opportunity. Used to be where a person could drill and
8 operate at low risk. Reasonable expenses, the cost, for
9 the risk. You could make a living doing it. And it was
10 enjoyable. It was fun. We always had the regulations.
11 But it's like our Chairman just said, it was on a local
12 level where you could go into the Superintendent if you
13 had a dispute or an issue or problem that was preventing
14 you from complying with a regulation, you could go in to
15 the Superintendent and talk about it. Get some
16 leniency, maybe an extension on something. Some more
17 grace period if you needed to close a pit. Maybe the --
18 maybe you're in the middle a wheat field. And the
19 surface owner's asking you not to get in there to do
20 this work until it dries up. Well, to do that you may
21 have missed a deadline. And then you get fined just
22 from trying to get along with your surface owner. And
23 it's really hard to do here in our mineral estate, as
24 you know, because our surface owners aren't sovereign
25 headright owners. And that's really a sad story in

1 itself. I think they write books and movies about that
2 kind of stuff.

3 But anyway, I'm coming from both perspectives
4 as a Council member trying to get value for our
5 headright owners who depend on the revenue from this
6 mineral estate that we've been blessed with. And I'm
7 not talking about having the money to buy a second car
8 or to take a family vacation. We are talking about our
9 headright owners that are my age and older even, who
10 have to make a decision do I -- am I going to buy my
11 medicine this month or groceries this month. And I
12 don't live in Osage County. I don't see our headright
13 owners as often as the other Council members I serve
14 with do. They see them at the grocery store, at the
15 Wal-Mart that Chairman mentioned. And they hear about
16 it and see they are struggling. Councilman Redcorn's
17 not here today. So, I would like to acknowledge the
18 other two Council members that serve with us and that
19 would be Councilman Talee Redcorn and Councilwoman
20 Melissa Curry, who for various reasons couldn't attend
21 today. But Councilman Redcorn mentions this all the
22 time. He lives in the Indian camp and, you know, he
23 lives with our headright owners. He sees their
24 suffering. And they look to us. Our chief just
25 mentioned he ran in to one at the gas pump. These

1 people, they look to us to be their representative and
2 to help them. And it's a big responsibility. And I
3 realize what you guys need to do and why you're here.
4 This little pamphlet right here, my version was last
5 revised May 1st, 1994. I know that your literature
6 talks about going back further. I think '74. But
7 nevertheless, if you can put that on eight and a half by
8 11 paper, it would be about 18 pages. And even those 18
9 pages is kind of hard for somebody new to come to Osage
10 County and get familiar with it and know pretty well.
11 But you can do it. It's not as hard as other places in
12 some instances. But to replace this 18 pages with 270
13 pages, just the volume in itself is intimidating.

14 So, I'm thinking about the operator who may be
15 from Chautauqua County, Kansas that decides the geology
16 in Osage is just identical across the county line, and
17 they might like to produce on our side of the state line
18 versus where they are, maybe an offset lease. They
19 could be right on the border and be producing three or
20 four wells right there and they want to come over to the
21 Osage side and extend their field by drilling a well or
22 two, but they've not drilled here before. So, where
23 is -- where do they go to learn how to operate a well in
24 Osage County? Well, I would assume that you go to the
25 Osage Agency and meet with the Superintendent. And what

1 kind of literature are they going to give them? Well,
2 right now I guess you would give them this book. This
3 little 18 pages. But then that doesn't tell the story.
4 You've got the Superintendent has a list of what she
5 calls policies and procedures that are just rules that
6 she made up. And I say she because our last couple of
7 superintendents have been female. And I don't even know
8 if that's proper term to use this day and age. He, she,
9 her, his, all that kind of stuff.

10 So, you got to know the Superintendent's rules
11 and procedures, policies that are enforced but not in
12 the rules and regs. So, I know that you all are trying
13 to improve upon what we have now and address issues that
14 are lacking in this. And because of technology and the
15 ages of change that there are new -- there are new
16 issues that weren't thought of when the original regs
17 were put together. But this right here is not the
18 answer. This is the death of our mineral estate.

19 I asked during our consultation, we have a
20 biannual consultation meeting, and many of you were
21 there. And I asked you all, and you haven't responded
22 yet to some of my requests, but it was So, scary to see
23 this and to know what this is going to do to us, and I'm
24 talking from a producer's perspective and my experience,
25 is that I know this is going to do us in. This is going

1 to finish us off. And during today's and throughout the
2 morning and afternoon, I'll give you example after
3 example if you would like to hear. We could do this for
4 months. And I hope we do. And hasn't been mentioned
5 yet. This is first of how many meetings, I don't know.
6 But we expect that this isn't a one-and-done. We expect
7 that you all should be at the table with us frequently.
8 And So, that we can work through our issues and yours as
9 our trustee So, you can meet your responsibility.

10 But this document will kill us off. And the
11 first thing that came to mind, I understand that the
12 Chief's point, but the first thing from a producer's
13 perspective that will make it impossible for me as an
14 operator and my fellow operators is the bonding
15 requirements. There's no doubt that for decades, for a
16 century, the bonding requirements for the operator,
17 operations of our mineral estate, has been inadequate.
18 And that's -- that's not even a strong enough word. Put
19 up \$5,000 for 160 acres where you could drill 16 wells
20 on ten acres spacing, where the average cost to plug a
21 well is anywhere from \$10,000 to \$30,000 to have a
22 \$5,000 bond, and you may have a lease with seven or ten
23 wells on it, that \$5,000 is not even going to plug one
24 well, much less all the wells that are on that lease.

25 And we have operators, and I will just -- I'll

1 give you an example of how this is going to condemn --
2 you're condemning our mineral estate. Here's how, just
3 by this one thing, there's many more, but the one that
4 comes -- the most blatant that I see is the bonding
5 issue.

6 And So, let's give you a scenario. There's an
7 operator with 28 wells on three tracts. The operator is
8 producing five producing wells, two disposal wells. So,
9 seven wells are in operation. 21 wells that they
10 inherited when they bought the tract, all of them shut
11 in. They just came in, bought the property for salvage
12 of the equipment, and thought they would put these wells
13 back into production. I know of a case where this
14 happened in 2013.

15 In 2014, the month of July, the Superintendent
16 Robin Phillips wrote a letter to all the producers
17 basically telling them, it's all over because effective
18 the middle of August, the next month, because of the
19 lawsuit of Martha Donelson and John Friend represented
20 by Gentner Drummond, brought to the attention that NEPA
21 hadn't been followed. And these are federal lands and
22 NEPA should have been followed all along. And I think
23 the Superintendent and the Bureau of Indian Affairs have
24 overreacted and basically shut down everything in Osage
25 County for a while.

1 So, go back to my point. In 2013, somebody
2 buys this property with all these wells shut in, getting
3 ready to be terminated, and then somebody came in and
4 bought these wells and try to salvage them. And they
5 get seven of them up and running, and then they get this
6 letter from the Superintendent. They can't work on
7 another well. The person's got \$5,000 bonds for the
8 three tracts. 15 grand they put out of their pocket
9 into a CD to pledge for a bond to operate those three
10 tracts. 28 wells on them. This goes into effect. The
11 average well on this property is 2,500 feet in depth,
12 times 28 wells, 70,000 feet of wellbore, at \$6 a foot,
13 that's \$420,000. So, that's the bonding exposure. And
14 I'm not talking about the bond in the sense -- our
15 bonding companies that we have that the producers have
16 access to require 100 percent collateral for the bond.
17 It's not like where you can just pledge ten percent of a
18 bond amount like you would get out of jail. We are
19 talking about they want 100 percent of their exposure
20 covered by a CD. Not even a letter of credit. They
21 want CD. Cash.

22 So, it's deceiving to me, maybe not
23 intentional, but in your little pamphlet that I saw on
24 February the 8th, you talk about grandfathering. Well,
25 that's nice that that's considered. But that particular

1 tract that I'm referring to would be grandfathered in.
2 But let me go back to this. The operator may be of age
3 that may be retirement age. Maybe in poor health. And
4 they want to divest of their property. Your grandfather
5 clause does not allow for that without the new owner
6 putting up the bond money. So, if that operator was to
7 sell those three tracts, the new buyer would have to put
8 up \$420,000 in CD's to the bonding company to even
9 operate the first well. And the property's not even
10 worth that to begin with. All right. So, the
11 grandfather clause -- and the person died. Their heirs.
12 We go through probate maybe because you all have the
13 term "other" in here. You talk about an assignee and
14 the conveyance. Well or other. Well, I'm thinking "or
15 other" could be probate and it go to somebody's
16 children. So, their children are going to have to come
17 up with \$420,000 to keep producing that property just in
18 bonding.

19 Then the existing wellbores that are on there.
20 If you wanted to, say, go finish working on some of
21 those other 21 wells, well, you got put up \$6 a foot to
22 work on a well. So, that's \$15,000 on a 2,500 foot
23 well. So, the guy wants to go work on a well, he wants
24 to perforate and frack in a different well that's on the
25 property, try a new zone, which our headright owners

1 would be delighted to see this kind of activity and be
2 rooting them on. But they got to put up \$15,000 cash
3 out of pocket to put up a bond, to pledge to a bond, for
4 them to do a \$20,000 job that may not even work. And
5 they are never going to see the money again. Most of
6 our operators are 50, 60, 70 years old. They are not
7 going to be doing this for much longer.

8 So, these are -- So, what's going to happen is
9 that when this operator dies, first of all, you won't be
10 able to sell the property. There will be no buyer for
11 the existing leases. So, if you're just waiting for
12 these current operators to die and their heirs aren't
13 going to take them over, So, you -- this is a
14 condemnation of our mineral estate. And in the
15 meantime, as they are dying, they are not going to be
16 able to work on their wells because why would they take
17 their retirement money or whatever little stash they may
18 have, most oil and gas operators don't have any money.
19 So, just that one subject alone is a condemnation of our
20 mineral estate in my opinion. It's just one opinion.
21 And throughout the day, I'll have plenty more examples.
22 With that, I'll yield. Thank you very much.

23 MR. STREATER: If I may, I think that's
24 probably a good point that the bonding requirements, as
25 you brought up is a good point. I think you make an

1 excellent discussion. Kristen can do a little deeper
2 dive in it. But obviously as you said, that individual
3 in your scenario in 2013 would not have to put up any
4 bonding. Their bonding on that site, on those three
5 leases, they are bonded.

6 MR. REVARD: Not unless they are going to work
7 on the well.

8 MR. STREATER: There's more than one option of
9 the per foot.

10 MS. KOKINOS: So, it's a good point that you
11 made. It's a good point that you raise. So, I know
12 which phrase you're looking at is where we said, you
13 know, they couldn't be conveyed to any other person
14 through assignment, a transfer of operating rights or
15 working interest or otherwise. It's the "or otherwise"
16 that you're thinking of with the probate. That's a good
17 point. We can take "otherwise" out because that's not
18 the intention for, you know, someone who already has
19 posted bonds and is an existing lessee, if they pass
20 away and their family's continuing to operate the lease,
21 that's not exactly a new operator; right? So, that's
22 not what's anticipated.

23 MR. REVARD: What if the family members don't
24 want to operate the lease.

25 MS. KOKINOS: If the family members don't want

1 to operate the lease and they did an assignment to
2 someone else, yes that new person would --

3 MR. REVARD: No. There will be nobody else to
4 give an assignment to. Nobody in their right mind. If
5 I was a -- if I was an executive of a publicly traded
6 company and bought an Osage County lease, I would be
7 sued for negligence for not doing my due diligence.

8 MS. KOKINOS: But they could also instead post
9 a \$50,000 county-wide bond for less money. That's up to
10 the operator if they want to do -- it's whatever is the
11 best fit for them on the bond. The per-foot one is not
12 a requirement. They can choose that one if they just
13 have one -- if they choose to go that route. But
14 there's the other two routes to go with bonding.

15 MR. STREATER: You noted, Mr. Revard, that the
16 \$5,000 bond is too small. What would you suggest?

17 MR. REVARD: Well, okay. I do have a
18 suggestion. Like I mentioned early on, I'm also a Texas
19 operator. They are governed by the Railroad Commission
20 of Texas. Similar to our Corporation Commission in some
21 ways. Well probably most ways. But they realized that
22 they have -- going back to that one property with the
23 three tracts, we are talking about they are getting
24 ready to be 28 orphaned abandoned wells very soon.
25 Okay? And I asked you all during our consultation how

1 many more are there like that. I asked for that number.
2 And if you all would look at the annual lease status
3 report that's required, and that you fine people if they
4 are a day late in submitting, if you would take that
5 data and put it into a database, at the click of a mouse
6 you could come up with that number. Okay? So, I didn't
7 ask you all for anything that you don't have at your
8 fingertips. If you've, you know, used your reporting
9 stuff and inputted all the data that you get every year.
10 But no, \$5,000 a tract is not enough. But that's
11 something that's under your all's oversight. You all
12 made up that rule, not the -- I represent the headright
13 owners. The headright owners didn't make up these
14 rules. Producers didn't either. They are just trying
15 to navigate through them.

16 But what the Railroad Commission of Texas did
17 they realized that there's a lot of these tracts out
18 there, they are orphan wells, you know how big the state
19 of Texas is, and they got tons of wells. So, what they
20 did, they implemented this in probably '07, '08, and it
21 was a hardship for the producer. And I was one at the
22 time. They took -- they looked at your inventory of all
23 your unplugged wellbores on your tract. And there
24 again, they are a little different. But you buy a lease
25 in Texas, you don't have to necessarily take over

1 ownership of all the wellbores. You can pick and choose
2 which ones you want. And the ones people are selling to
3 you will try to get you to take them all. Maybe they
4 want to keep some of them. They have a wellbore
5 assignment, so-to-speak, called a P4. And So, the
6 seller could issue a P4 for a couple of the wells and
7 not on others.

8 But what they did on all the unplugged
9 wellbores on a lease in Texas is they told that
10 operator, they looked at the their portfolio of all the
11 wells they operate in Texas. Say they've got 20 wells
12 that are unplugged and you either have to produce them
13 or plug them 10 percent per year. They want you to plug
14 10 percent of those unplugged wellbores per year.
15 However, like us, a lot of those wells may not should be
16 plugged. Maybe they are capable of commercial
17 production and for whatever reason they are not being
18 produced. Maybe the operator's having financial
19 trouble. Maybe it's just -- maybe the price of oil's
20 dropped. Maybe they are going to wait and see if the
21 price of gas comes back up. Whatever the reason. But
22 the requirement is you can plug 10 percent of your
23 unplugged wellbores every year. And they eventually,
24 over a period of ten years, they've whittled that down
25 to zero. Or if you don't plug them, there is an option.

1 You put up enough bonding money to plug that well, 10
2 percent of your wells each year. So, you don't have to
3 plug them. You fill out what's called a W3X. Provided
4 with the engineer report that would state that this
5 well's got commercial potential and should not be
6 plugged for that reason. So, it qualifies to not plug.
7 And there's a fee for that. Just a processing fee. And
8 So, they get rid of all their orphaned abandoned wells
9 over a period of ten years at 10 percent per year.
10 That's what they do. And I'm not suggesting that for
11 us. But there are -- to answer your question, the
12 \$5,000 per tract is -- it's just totally insufficient.
13 Thank you.

14 MR. STREATER: Well, and this is -- Bart can
15 correct me and Stephen, anyone at the table here. This
16 is what I consider to be good consultation between the
17 governments here, to get, you know, the views of the
18 Nation and give you the views of why we went down a
19 particular path to get a mutual understanding of what we
20 do. And like you said, the \$5,000 -- bonding is -- this
21 is not -- bonding is not something that's just an issue
22 in Indian Country. It's everywhere. Every state dances
23 with this. Every entity does. Trying to get that
24 balance between what could protect the investment of the
25 operator and what can protect, in this case, the mineral

1 estate or the surface owners.

2 You use Texas as an example. What we used
3 for -- to come up with these bonding numbers, we looked
4 at all the states around. We looked at the federal bond
5 requirements. You bring up Texas for example. Texas is
6 where we got that per-foot bonding. That's directly
7 from the Railroad Commission. But that's why we give
8 two other options, not just one. There's three options
9 that the operators can call for.

10 There's no one at this table on the federal
11 side that think it's realistic to have a bond that 100
12 percent covers what's going on because it just can't
13 happen. It doesn't happen. You just don't have it.
14 Plugging a well is only one part of what a bond covers
15 and everyone here, you know this. It covers more than
16 this plugging. So, that amount would be astronomical.
17 And that's what we are trying to do is get that balance.
18 The balance where they can still operate where they're
19 grandfathered in, you know.

20 The small operators have discussed -- we
21 discuss them at consultation. We discuss them all the
22 time. A lot of the small operators are not going to
23 ever be impacted by this bond. They have their three or
24 four or ten wells and that's all they are ever going to
25 have. And they are going to produce those until they

1 can't produce them any more. And they are not going to
2 be required to bond that any more. So, that's what we
3 were aiming for in this. There's no aiming at the
4 government to say you need \$400,000 bonding on the 26
5 wells to start operating. That's not how this is
6 written.

7 Now, the operators will have to make business
8 decisions on what's best for them. What bond's best for
9 them. And we leave that up to them. We can certainly
10 take a public comment -- a comment from the Minerals
11 Council that you want 10 percent plugged every year. I
12 don't know if that's going to go over real big either
13 folks. But that's what we are here to talk about.
14 These options.

15 MR. REVARD: Please don't interpret that
16 that's my suggestion to do that. I was just telling you
17 what somebody else has done. And it's in the -- I'm not
18 suggesting that we do that.

19 MR. STREATER: Well, and that's certainly --

20 MR. REVARD: Because our operators don't have
21 the kind of money to do that. You've got to -- and I
22 don't mean to hog the show here. But you have to
23 recognize the uniqueness of this mineral estate. You
24 all have been reporting to us the wrong numbers of wells
25 that we operate -- that we have in operation. And I

1 brought that to the Superintendent's attention a couple
2 of meetings ago. But our average production per well in
3 Osage County, oil production, is .77 barrels per well.
4 A hair over three-quarters of one barrel. If you take
5 that times 60 something dollars a barrel that the
6 producer nets today, take the Tribe's royalty off of it,
7 the state's 7 percent production severance tax, it
8 doesn't leave a lot. Then you got to pay your pumper
9 \$250 a well per month. Your chemical bill \$150 a month.
10 Your electric bill \$100 a month. There is just a
11 smidgen of net profit per well per month. And then if
12 the guy's got to operate a well, got to pull a well to
13 replace a down-hole pump, it takes him four months of
14 production to pay for that pulling job.

15 In today's climate with the prices of rigs --
16 see, when the price of oil went up, all these service
17 companies finally got their little breathing room and
18 they raised their prices. But when the price of oil
19 came back down again, those prices are still hanging up
20 there pretty high. A lot of our operators, service
21 companies have left because of the adversarial
22 regulatory burden imposed on the producers that nobody
23 is doing anything. And to survive, the ones that did
24 survive, they are somewhere else. They are over in
25 Pawnee County, Payne, Kay County, Chautauqua County,

1 Kansas. Anywhere but Osage. And that's -- and you put
2 that in quotes because I hear it all the time.
3 "Anywhere by Osage." Because this is such an
4 adversarial place to do business. It's really -- it
5 used to be -- and I said this February 8th. Osage
6 County used to be the cream of the crop. It was -- it
7 was the place to be. It was glamorous. If you had an
8 Osage County drilling deal? Oh my god, you got any of
9 that left, I want 25 percent of that. It's anywhere but
10 Osage today.

11 So, you got to recognize our operator is
12 not -- our operators don't have 10, 15, 20 employees. A
13 lot of them are just husband and wife, father/son,
14 father/daughter. Yeah, we do have some large ones. But
15 that's not our typical operator. Our typical operator
16 can't digest this. And I'm not saying they are
17 illiterate.

18 But I will promise you this, I do know of 28
19 wells that are going to be on your orphan abandoned well
20 list very soon because of this. And that's just one
21 property, one operator. And you just got to
22 recognize -- you've got to recognize our estate being
23 different than your other BLM properties. We recognize,
24 some of us recognize the language in this document, that
25 being copied and paste right out of some BLM stuff. And

1 you mentioned just now you stole some language or
2 borrowed some language from the Texas Railroad
3 Commission. That's fine and good to do. But you've got
4 to recognize how different we are. And you can't put a
5 square peg in a round hole.

6 So, I'm glad you're here. When we meet with
7 you all, I would like for you all to refresh yourselves
8 with your mission statement of the Bureau of Indian
9 Affairs because we don't ever talk much about what can
10 we do to help get some more barrels? That's what we
11 need. We need more barrels. We need to talk about what
12 could do to get more barrels out of the ground. I know
13 that's not what today's meeting's about. But I wish we
14 would meet together and talk about that some time.
15 Thank you.

16 MR. RED EAGLE: Thank you, Director Streater.
17 My name's Myron Red Eagle. I'm on the Osage Mineral
18 Council. And this is my third term as well. And I was
19 on the Council and the second Mineral Council in 2010
20 when the settlement was decided, you know. And I was on
21 the 2018 Mineral Council, the last formal Council. And
22 the present one today.

23 Chairman was talking about history, you know,
24 and there's a lot of history on my family too. We can
25 go back to my great-grandfather in the 1880's on both

1 sides, my mother and my dad. And they call Governor
2 Joe, Joseph was his Christian name. And (foreign
3 language) was his name. That means not afraid of the
4 western people, western tribes.

5 And my grandfather, great-grandfather on my
6 dad's side was a Henry Red Eagle. He was on one of the
7 first tribal councils in 1910 and to 1915. Somewhere
8 around in that in that area. And then on my mother's
9 side also is my grandfather's name is Roman Logan. He
10 was full blood Osage. He served on the Tribal Council
11 1914 to 1916. It was only two-year terms in those days.
12 And my grandfather, Paul Red Eagle, was Assistant Chief
13 when (Niko Ouchituqua) was the chief at the time. And
14 in 1920's when all the roaring 20's were going on and he
15 was the Assistant Chief then. And when all the
16 historical murderers came about. And he had a lot to do
17 with going to the Calvin Coolidge, I believe, was the
18 President at the time. I believe going to Washington
19 D.C. and telling the Department of the Interior that the
20 Osage Tribe needed helped. The investigation wasn't
21 really even in existence at that time. My grandfather
22 had a big part as well as others. They went to
23 Washington D.C. to ask for help during that time.

24 And my uncle Harry Red Eagle was a Council
25 member during World War II. My dad came in in 1959, '58

1 or '59. And my brothers came in in the 2000's, Eddie
2 and John. My brother John was chief at one time. And
3 I'm the last of the brothers. And I'm still here. So,
4 my tradition goes back a long ways in my family. And my
5 dad told me one time, he said, if you ever get on the
6 hill, you are always going to have to deal with the
7 Bureau of Indian Affairs. And I always remembered that.

8 I have a few issues that I guess I can bring
9 them up now. One concerning the Regulatory Impact
10 Analysis of October, 2022. If you want to look it up.
11 It's on Page E, ES-5, and concerns the potential
12 indirect cost. I have a little question about that.
13 I'll read what it says and it says, many operators -- on
14 the first bullet point. "Many operators have existing
15 wells in Osage County that would be affected by the
16 proposed rule. Due to the high level of investment in
17 these existing operations, operators are likely to
18 abandon existing wells due to new regulations.
19 Moreover, under both the current regulation and the
20 proposed rule, operators may not abandon productive
21 wells without demonstrating lack of profitable
22 production and the same satisfaction." I kind of
23 dispute that because just what the Councilman Revard
24 said, they can just go across the river, Pawnee County,
25 and make a profit pretty easy without even having to

1 deal with the regulations at all, you know. So, I can
2 challenge that point.

3 And also the next point is "generally the
4 supply curve for oil and gas is inelastic. Particularly
5 in the short to medium term. That is due to the high
6 investment required to drill an oil or gas well and to
7 operate it. Operators are unlikely to stop production
8 if prices fall or costs increase." I can challenge that
9 too because in the long run, there's the supply curve is
10 probably inelastic too. Because it takes one the --
11 last I heard it was 115 days to get a permit. You have
12 to go through the EA's and the environmental to drill a
13 well. That, in my opinion, is inelastic. I have a
14 degree in business administration. So, I know what
15 inelasticity is. And I know what elasticity is. And
16 elasticity is pretty real right here. So, that's a good
17 point, I believe, to take into consideration.

18 And we've had six to eight drilling permits
19 approved in the last couple of months; is that correct?
20 Pretty close to that? Yes. That's good. But some of
21 them are just with the same company. And I think
22 there's only two companies that are involved. And I
23 don't want to mention any names. But two companies
24 involved with just those permits alone. That's my
25 point. I think there's a lot of improvement that could

1 be looked at here. And in the February 8th meeting, I
2 read the mission statement. And I think it was to save
3 and protect, develop and everything that we need from
4 that Bureau of Indian affairs. And that's my particular
5 argument right here.

6 Another argument that I have is, I think I
7 could be backed up by our counsel, Mr. Rollie Wilson.
8 He's our attorney. That the BLM is going to be a part
9 of Osage Mineral Estate. And I believe he's got a law
10 that said in 1976 or 1977, when a lot of ya'll probably
11 weren't even here, but maybe some of us were. But if --
12 I can read it, if you want me to. But it states that
13 the BLM is only credible or only legal in national parks
14 or the Statue of Liberty and places like that. Not on
15 Indian lands. And Indian lands is the Osage Mineral
16 Estate. So, that's my -- that's my -- I challenge that
17 argument right there. Bureau doesn't have any legal
18 status here in Osage County. We own the mineral estate.
19 Everything below the ground belongs to the Osage Tribe
20 of Indians. Osage Nation.

21 That's a good point that I would like to make
22 and there's a long history about the Osage County. Some
23 of you may not know what it is, you know. Maybe you do.
24 Maybe you studied on it. But if you haven't studied on
25 the Osage history, you need to really back all the way

1 to the 1800, just like Chief said. In 1972 we bought
2 this land. And I had a great great uncle. His name was
3 Watiaka (sic). That's what they called him. It really
4 wasn't his name. That was just a band that he came
5 from. But he was a powerful man. And he came down to
6 survey this land. The chiefs in Kansas, they were band
7 chiefs, there wasn't really a one single chief. But
8 they were band chiefs. And they all got together and
9 the United States was, as we all know was in westward
10 expansion at the time. It was right after the Civil
11 War. We all know about that. And in 1865, Mr. Grant
12 became President after Johnson. And then everything
13 changed. So, after that everybody had to change; right?
14 Especially the indigenous people, the Kaw Tribe, the
15 Pottawatomi, the Osage. The Cherokee and Five Civilized
16 Tribes were already here since the 1830's. They were
17 already here. This was Indian Territory. And it was
18 pretty wild too. But Watiaka, they told him to come
19 down here and survey this land. And he said, if I go
20 down there, I'm going to get shot. He said, they are
21 going to kill me if I go down there. And they said,
22 well, do what you can. And he said, okay, I'm going to
23 put my -- I'm going to go down there and I'm going to
24 disguise myself as a wolf. As a wolf. And they said he
25 could actually do it. And he came down, he surveyed the

1 land. He said this oil is bubbling out of the ground
2 just like we see ponds today. And he went back up to
3 Kansas and said, I don't know what that is. He had an
4 idea what it is. They called it pitch. Tar. Tar and
5 feather. They knew what it was. But they didn't know
6 that the possibilities and the future that it was going
7 to bring. But he did. He had a vision. And he said,
8 we ain't got nothing to do with this. But it's going to
9 affect our people. It's going to affect our
10 descendants, our great grandchildren, our great great
11 grandchildren. That's me. That's him. We are affected
12 by it. There was a lot of history. And when it came
13 down and they moved down there, they actually -- others
14 negotiated with the Cherokee. I don't know who the
15 chief was at the time. And they bought this land for
16 something like \$260,000 something which was a lot of
17 money in them days. And been here ever since.

18 Then in 1906 the Allotment Act, Osage
19 Congressional Act in Congress, Allotment Act installed
20 because the State of Oklahoma wanted to become a state
21 at the time in Oklahoma City. We all know that. And in
22 1905, I believe they passed the -- United States passed
23 the Enabling Act which allowed the State of Oklahoma to
24 become the State of Oklahoma. So, our people had to do
25 something in 1906 or we were going to be either

1 disbanded or run out of the state. So, they negotiated
2 again in 1906 in Washington D.C. and here we are. We
3 compromised. They took the top surface, we took the
4 bottom surface. That's what we're here for today. It
5 involves everything that we are talking about today. In
6 1906 my grandfather was 26 years old. My grandfather
7 was 24. So, they were just -- like we are sitting here
8 today. They were negotiating just like we are today.
9 So, nothing's really changed. That's my point. That
10 nothing's really changed. We are negotiating for our
11 people. It's a vital meeting today. And open for
12 change, I believe. Just like I said open for change. I
13 would like to see something that will make our
14 shareholders content So, they can sleep tonight. Rest
15 assured that we negotiated in a timely and a diplomatic
16 way. Thank you.

17 MR. STREATER: Thank you, Myron. Let's take a
18 ten-minute break real quick and get something to drink
19 and use the rest room.

20 (A short break was had; after which the
21 following proceedings took place:)

22 MR. STREATER: We'll go ahead and kick off.
23 Just remember, when you're making a comment or answering
24 a question, go ahead and lean into the microphone so the
25 court reporter can hear that and also say your name. We

1 ended with Myron. So, whomever is next, just go ahead.

2 MR. SHACKELFORD: My name's Anthony

3 Shackelford. I'm a Council member. Just real quick,

4 you know, just kind of dove-tailing off what we spoke

5 about back when all you folks were there. I just --

6 it's something it's very personal to me. And again,

7 most of us that are shareholders, we had to -- So,

8 anyway, it's just something here -- glad to see you

9 folks here. Again, I'm a newly elected member on this

10 Council. You know, not like me to be one to look

11 backward, always look forward to have an opportunity to

12 work with you folks, work with my contemporaries here.

13 Coming up with some good outcomes, you know. There's

14 obviously things here that, like we talked about the way

15 the room was set up, you know, just kind of how it

16 unfolded you know. Just like these new regulations.

17 There's a lot of them that they are going to be

18 difficult to traverse for our shareholders to continue

19 to just a minimal existence. Much like Pavlov's dog.

20 It's something the basic needs. And then you got

21 producers, they're not out there making millions of

22 dollars. Most of them are like Paul said, mom and pop

23 organizations. So, again, having the opportunity to sit

24 here in this consultation looking at this document

25 Ms. Kokinos put together. As the Chief stated, I mean,

1 getting past that first couple of bullets is going to be
2 an amazing accomplishment today. And I just look
3 forward to these continued consultations. And then to
4 quote Mr. Streater, follow his quote, take as much time
5 as we are going to need to make sure things are taken
6 care of. And I look at that not in terms of today. But
7 I look at this in terms of when's the next meeting going
8 to be? Is there going to be a third meeting, a fourth
9 meeting. Gives us time to get to play catch-up to not
10 only be proactive and not having to be reactive to these
11 types of things, but coming up with something on our
12 own. And like I said, being a newly elected Council
13 member, it gives me an opportunity to have some input to
14 put forth something that is ours that comes from within
15 this Council, comes from within our shareholders.
16 Talking with the producers, the people that are on the
17 ground, that ones that actually put all this together.
18 You know, the outcomes that they are doing that help us
19 live part of our lives and supplement our lives in a
20 small way. So, again, just thankful to be here today.
21 But again, this is something that I think it's going to
22 take some time. It's going to take some effort on both
23 sides of the aisle here. But I see a lot of encouraging
24 things that makes me believe that this is a process
25 that's going to render some good outcomes. So, thank

1 you.

2 MR. STREATER: Thank you for those comments.

3 MR. WILSON: Thank you, Chairman. There's a
4 number of areas -- Rollie Wilson, attorney for the
5 Minerals Council. So, as -- there's a lot of different
6 topics that we are hoping to get into today. As the
7 councilman said, maybe we are not going to be able to
8 get into all of them today and more meetings are in our
9 future. And actually that's been our big request for
10 over a year now. Back in February, 2022, the Minerals
11 Council sent a letter to one of your bosses, Assistant
12 Secretary Newland, as the new regulations were on their
13 way to getting finalized for the Federal Register. And
14 the question was, okay, but we need to set up a series
15 of consultation meetings So, that we can all get onto
16 the same page and produce something that's going to work
17 for the Osage Mineral Estate. And the congressional
18 delegation from the area supported that. We did not
19 hear anything back for a year until a meeting room was
20 being scheduled for January.

21 And sorry. I'll go ahead and dive into one of
22 those areas. In our view, that is not the consultation
23 that this administration is talking about bringing to
24 the table. Your all's most recent consultation policies
25 and procedures announced this past December includes

1 this diagram. It's a little bullseye diagram. And the
2 Osage Mineral Estate, the Osage Mineral Council and the
3 Osage Nation are right here in the middle of a bullseye.
4 I'll go ahead and read to you what it says. I'm sure
5 you all know this. Impacts to the tribe and tribal
6 members, including health and welfare, tribal programs
7 and jurisdiction on reservation land, activities, treaty
8 or other rights and natural and cultural. Those are the
9 things that are smack dab in the middle of the bullseye.
10 And while Assistant Secretary Newland and Secretary
11 Haaland were announcing new policies and procedures on
12 consultation and collaboration and finding consensus
13 with tribes, you know, where he heard about a public
14 meeting being scheduled kind of through the grapevine.
15 And no response on both the congressional delegation's
16 request for meetings, as well as the Mineral Council's
17 request for meetings.

18 So, we kind of got to this point feeling
19 behind the ball a little bit. And feeling like those
20 requests have not been fulfilled per Interior's
21 policies. So, that's kind of where we're at today. But
22 I do want to recognize, I think both the Chief, the
23 Chairman and the Minerals Council have highlighted a
24 theme that we really want the Bureau of Indian Affairs
25 and Mr. Stevens, for you to take back to the folks in

1 D.C., Assistant Secretary Newland, Secretary Haaland,
2 there's a theme running here. And the theme is that the
3 Osage Mineral Estate is different. And there's no
4 reason to come forward here in 2023 with an
5 administration charged with collaboration and consensus
6 building. And impose, that's the way it feels, impose
7 regulations that are essentially Bureau of Land
8 Management regulations. Maybe Bureau of Land Management
9 plus. These are regulations that work for an agency
10 with a 400, \$500 million energy budget, not a BIA energy
11 budget in the neighborhood of -- I think it might be a
12 little higher than the last request. But used to be \$5
13 or \$6 million a year. I have been hearing the reality,
14 the field staff, are way down. Used to be 20, now it's
15 7. There just are not the staff and resources within
16 the BIA to implement this kind of regulation within the
17 Osage Mineral Estate.

18 So, like Councilman Revard said, we are trying
19 to fit a square peg into a round hole. Like the Chief
20 said, maybe we need to be talking about legislation that
21 recognizes the uniqueness that provides new authorities
22 for the Osage Mineral Estate. And like the Chairman
23 said, you know, we've got something we've got a
24 uniqueness here that's not being recognized. And I
25 thought the conversation between Mr. Simpson and

1 Councilman Revard was really illuminating of this point.
2 The point is not that \$5,000 is wrong or that \$500,000
3 is wrong. The point is that there needs to be a third
4 way forward. And that's what they figured out in Texas.
5 They figured out some sort of way that was going to keep
6 the production going, keep the producers working in the
7 oil field, providing benefits to the -- in our case the
8 headright owners, the folks who both the Council
9 represents, as well as the Bureau of Indian Affairs, you
10 all have the trust responsibility to those folks as
11 well. And finding a third way forward that fits for the
12 kind of industrial activity that we have in this mineral
13 estate. Pulling in regulations, a big swarm of
14 regulations that may work in other parts of the United
15 States is not necessarily what's going to work here.

16 And we have a real opportunity, both what we
17 need here in the Osage Mineral Estate to continue
18 production, but also from a federal policy perspective
19 of Indian energy. We have a real big opportunity to try
20 something new. Imposing the regulations that apply to
21 every other part of Indian Country is not, in our mind,
22 the best idea. You can go talk to any of those other
23 Tribes and they are not very happy about the Bureau of
24 Indian Affairs' permitting record under the current
25 regulations. So, bringing those to the Osage Mineral

1 Estate, which has its own uniqueness about it, as
2 Councilman Revard said, looks like condemnation to us.
3 So,, you know, what we -- the way we see it is what's
4 behind the actions being taken by the Bureau of Indian
5 Affairs. I mean, I think that you all think, in your
6 minds as a former federal government employee myself, I
7 think that you all think that you're just following the
8 federal law and imposing the regulations that are
9 standards everywhere else. Well, that's the way that we
10 see it. Because it appears to us like, pretty soon, we
11 are going to be down to two producers are the only ones
12 that can afford this level of compliance and regulation
13 over their production. Not to mention the folks that
14 don't even have computers that comply with ONRR. Sure
15 there's some exceptions to that. But pretty soon -- I
16 think three times you haven't filed with a computer, you
17 better go buy yourself a computer and figure out how to
18 use Excel and all that stuff or your exceptions are
19 going to dry up.

20 So, the point that I wanted to make was to
21 just start us off in one area, which also to kind of
22 what Councilman Shackelford raised is, we've asked for a
23 series of meetings. And we think the Osage Mineral
24 Estate deserves that. And our congressional delegation
25 thinks we deserve that too. We've got a unique mineral

1 estate. \$5,000 bonding wasn't right. \$500,000 bonding
2 is not right. We need to sit together, bring the folks,
3 our industry partners into the room, our headright
4 owners, the communities and figure out a new regulatory
5 environment that could possibly work in the Osage
6 Mineral Estate that will allow production to continue,
7 allow that production to transition. Because it is an
8 oil field that's been around for more than 100 years.
9 So, maybe we need to think of new kinds of businesses
10 and how carbon capture or sequestration might fit in
11 here. What's the future of the mineral estate going to
12 be, and what's the appropriate regulatory environment to
13 keep that business going, rather than forcing everybody
14 through a tough ten years of things shutting down and
15 not being able to continue under the current
16 regulations.

17 So, I may have sort of covered a bunch of
18 issues that were in our heads as we were meeting
19 yesterday preparing for today's meeting. But the
20 primary thing I wanted to highlight that I've been
21 hearing so far is that there's a theme here. And the
22 theme here is that the mineral estate is unique. So, we
23 are asking you, as our federal trustee, proposing these
24 regulations, to take that back to the folks in D.C. You
25 know, let them know that we are here at the table ready

1 to work. But that uniqueness needs to be recognized and
2 thought of as we chart our path forward, both for this
3 consultation as well as for proposed regulations that
4 are put on the table.

5 MR. STREATER: Well, we appreciate those
6 comments and certainly we'll take that back to the
7 Assistant Secretary as well. Myself and Bryan will --
8 Bart will visit with Bryan about it.

9 MR. WILSON: So, I guess that would be -- I
10 didn't mean to talk everybody to sleep there. But So,
11 to get back to sort of a more specific point on our
12 question, you know, how does the -- and I guess I'm
13 taking a step back from the regulation. How does this
14 consultation process that we are currently in reflect
15 the current policies and announcements of the
16 Department's current position on consultation? You
17 know, I realize we have a long history of kind of where
18 we all came from. But let's try to set that aside and
19 look at what we're doing today in light of the
20 Department's current policies on consultation and being
21 right smack in the middle of that bullseye there.

22 MR. STREATER: I don't know -- are you talking
23 about what do you mean what does it reflect? I think
24 that we are here for consultation and fulfilling our
25 obligations to do So,. We have attempted to

1 consultation with the Nation over three years on this.
2 We had a long list of correspondence to the Nation. The
3 Nation was provided a draft of the proposed rules in the
4 past three years. And here we are at the table. And
5 I'll certainly -- Bart will -- we will convey your
6 concerns with the consultation with Assistant Secretary.

7 MR. WILSON: Yeah. Thank you for doing that.
8 And that is our request. And I think the request that
9 the Council is putting on the table is, you know, okay,
10 yes, we understand the history of the years of
11 correspondence. We are also not here today -- the
12 administrations that we were consulting with or
13 corresponding with at that time has different policies.
14 Biden, Haaland administration has it's own new policies.
15 So, our question to you that we ask you to take back is
16 under those new policies, as Councilman Shackelford
17 suggested, shouldn't we be talking about a longer
18 consultation plan, a series of meetings where we can
19 work together to build consensus and collaboration. So,
20 that would be my question point to you on consultation
21 for these purposes.

22 CHAIRMAN WALLER: You just -- this is OMC 5.
23 Some of that is OMC 4. Some of that's OMC 3. But the
24 criteria today is this is who is in these chairs.
25 That's who we need to be working with would make it So,

1 much easier.

2 MR. STEVENS: You know, with tribal
3 consultation -- regarding tribal consultation under this
4 administration or previous administrations, the
5 objective is still the same; to gather and have
6 meaningful dialogue, to listen to the perspectives, the
7 issues, the concerns, and take that message back, digest
8 it. Having a court reporter provide a transcript where
9 we can analyze the comments. And then not really
10 analyze but organize. That's probably the wrong word.
11 Organize the comments and then where we need to address
12 and what we need to address and how we document our
13 responses is that process. And that has not changed
14 from administration to administration. I'll certainly
15 take back your comment regarding the letter that took
16 over a year to get a response from Bryan Newland, and
17 get a better understanding of that and what we're doing
18 going forward. But as Eddie has indicated, the attempt
19 and the invitation to come to the table to consult has
20 been made and I'm glad we're here.

21 As far as taking several meetings to get to
22 where we need to be, I don't necessarily have an issue
23 with that. I don't think that it's one that we can
24 decide upon right now until we get to the end of this
25 meeting and can understand where we're at. And if we

1 need to revisit another meeting going forward based on
2 where we end today, I would leave that door open
3 actually. But definitely taking your comments back
4 regarding overall tribal consultation policy and how
5 that applies here will be conveyed to the Assistant
6 Secretary.

7 MR. REVARD: Chairman, if I may.

8 MR. STREATER: Yes.

9 MR. REVARD: Just the mere fact that these
10 proposed rules were published in the federal register on
11 January 13th is damaging in and of itself. When these
12 regulations hit the public, that casts a dark cloud over
13 our mineral estate. We immediately started receiving
14 calls from people that were really concerned about the
15 implementation of these rules, if they were to be
16 implemented.

17 From that day, January the 13th, basically
18 made every oil and gas lease in Osage County
19 unmarketable. We have a producer, I just learned at our
20 last, I can't remember it if was at the biannual
21 consultation or if it was just one of our regular
22 scheduled meetings where we discussed one particular
23 operator in Osage County that has 500 barrels a day.
24 Probably our top, maybe third, operator. I don't know
25 which one it is. I have an idea.

1 But that particular operator calculated to
2 comply with this bonding requirement from this document,
3 it would cost the buyer to post an additional \$12
4 million of bonding. I'm not talking about a bond like
5 what I said earlier to get somebody out of jail for the
6 day. I'm talking about cash. They would have to put up
7 \$12 million to buy a property that might be valued at 30
8 million. It doubles the cost of the property. It makes
9 it unmarketable. And the thing is, that operator on top
10 of that, one in particular, just this scenario is that
11 as of January 13th, his property, he just couldn't sell
12 it. Anybody that would do an ounce of due diligence
13 would come across this Federal Register publication.
14 And you know, would run away from the opportunity and
15 look elsewhere to spend their capital. They are not
16 going to invest it here. And So, the damage is done,
17 not completely, but we are already damaged by the
18 publication of this document because you've made all the
19 properties on our mineral estate unmarketable.

20 So, I don't know what can be done today to
21 reserve that. It would be nice if we could have a press
22 release tomorrow morning that said that we did this
23 today and everything's on hold. And if you want to come
24 buy oil and gas property in Osage County, we've got one
25 for sale and we are open for business. Don't worry

1 about this thing, we'll get through this. We need
2 something to repair -- I feel like we are in a crisis
3 mode. We need to take some measures proactively to
4 reverse the damage that's already happened to us on
5 January 13th. That's my concern.

6 Like I said earlier, we need -- our resource
7 is one that is a continually depleting from the day of
8 first production. The only way to overcome that or to
9 even maintain the current level of income to our
10 shareholders is to keep adding new barrels. We need to
11 talk about adding new barrels to just break even. It's
12 bad enough with the price of oil and gas in the market
13 going up and down, very volatile, but we got to get the
14 barrels out of the ground first. So, we need to talk
15 about what we can do to encourage drilling, encourage
16 re-working existing wells. Looking for other
17 opportunities to develop our mineral estate. And look
18 beyond oil and gas as well. Our Council here just
19 mentioned carbon capture and sequestration. I don't
20 think there's any language in this regulation that even
21 deals with that. We are currently, as you all should
22 know, injecting CO2 in our North Burbank field. And
23 it's taken that field from 500 barrels a day not too
24 long ago and just -- and brought it up to, I think, as
25 high as 5,000 barrels per day, but at least 3500 average

1 right now. And that's tremendous. Well, that's carbon.
2 And this particular company that operates that field is
3 applying for, and maybe already receiving some tax
4 credits from the federal government in having a
5 relationship with these carbon credits. That's
6 something that our Mineral Council has made claim to.
7 We claim the ownership of what we call the pore space,
8 that the carbon is being injected into. We own the pore
9 space in our opinion. And we pretty much published some
10 documents and notified everybody we can think of to
11 notify that we make claim to that pore space. And it
12 needs to be regulated. I don't know if we -- you all
13 doing that. I don't mean any disrespect. But it's
14 brand new to us, a brand new concept, a new technology,
15 new environmental concerns, or not new necessarily, but
16 recent and specifically to us, it's new to us. And I
17 don't think there's any -- I don't think the word carbon
18 capture or sequestration is even mentioned in this
19 instrument. So, I would say in our future meetings we
20 ought to talk about that.

21 But anyway, my concern is we've got some
22 damage done. And we need to be in damage control. And
23 I would like to be able to publish something to let the
24 world know that we're still open for business, we're not
25 dead yet. And we want to encourage people to come. And

1 I don't have any ideas right now as to what we should or
2 shouldn't do in that regard. But I would like for you
3 all to consider my concern. Thank you.

4 MR. SUDAR: Paul, can I ask you a clarifying
5 question? This is Robert Sudar. On the comment you
6 just made about the company having an excessively large
7 bond requirement. Would they not be able to use the
8 county-wide bond of \$75,000 that's stipulated in the
9 rule for that situation? Like you know what I mean,
10 because it says it's a \$75,000 for all oil and gas
11 leases in the county. So, wouldn't that be something
12 they could use instead of that really high one in --

13 MR. REVARD: In your proposed rule?

14 MR. SUDAR: Yeah. In the proposed rule.

15 MR. REVARD: Yeah. I don't know. I have not
16 gotten into the weeds really to know the \$75,000 you're
17 talking about. It may be one of the options that
18 Mr. Streater mentioned, or Ms. Kokinos. But I do know
19 that the state -- the state bonding, the Corporation
20 Commission that governs the other 76 counties in our
21 state, they have blanket bonds. And there's also
22 national -- nationwide bonds that are out there. But
23 you got to remember, something that the theme here is
24 that we are unique. We're different. We are not that
25 caliber of producers. We have two producers out of 286

1 that produce 41 percent of every barrel that we produce.

2 MR. SUDAR: No. I understand that.

3 MR. REVARD: So, they don't have the ability
4 to get some of these big bonds. So, let me tell you,
5 you go to a bonding company, you mention Osage County,
6 they are already scared to death because we went through
7 a period in the mid 80's. '84, '85 in particular, where
8 Aetna pulled out. The reason why is because when they
9 add a bond for a tract, even this \$5,000 bond that we
10 have now, per tract, the release of that bond was always
11 conditional. There was never a good clean release of
12 bond. They are on the hook forever if, any time in the
13 future, there was some issue that surfaced that they
14 would still be on the hook for. So, they refused to
15 write new bonds. And they started making people on the
16 bonds, they had collateralize their bonds 100 percent
17 cash for their 100 percent exposure. So, the bonding,
18 particularly in Osage County, is just another negative
19 hurdle that a producer has to have. Not every mom and
20 pop operator that, I think Councilman Shackelford
21 mentioned, has the financial sheet, net worth, to go to
22 a Mid-Continent Casualty or an Aetna. And have them --
23 show them a piece of paper and have them write a letter
24 of credit or qualify for one of these large nationwide
25 bonds or statewide bonds.

1 I don't know -- I've reached out to bonding
2 companies in preparation for today's meeting to ask
3 them, I was going to recite some things out of this
4 document, they wouldn't even return my call. I called
5 them actually twice. Called them once as a Mineral
6 Council member thinking, you know, I'm a big guy and
7 surely they'll take my call. And then I just called
8 them point blank and said, hey, I'm an operator and if I
9 want to do this, you know, have you read this book, you
10 know. I wanted to know what they thought, what their
11 response was going to be to your proposed rules. They
12 wouldn't even return my call.

13 So, I don't know about your \$75,000 option.

14 MR. SUDAR: I mean, I just was thinking it
15 sounds like it might be a solution to that, I think you
16 said the third highest producer in the county. It might
17 be a solution to that problem. Or maybe there's a way
18 that, you know, Kristen and her folks can change that
19 county-wide bond verbiage to accommodate those kinds of
20 situations. Because you're right. That's an
21 astronomical number that you said earlier for that
22 situation. But it sounds like there might already be
23 verbiage in here that could help. Or some that we could
24 tweak even.

25 MS. KOKINOS: If we're talking about the same

1 operator, they currently have a nationwide bond under
2 the current regs, which is about \$150,000. And that's
3 the same under the proposed rule as well. There would
4 still be the option for \$150,000.

5 MR. REVARD: I just know from reading what
6 I've read, and somebody recited it earlier word for
7 word, that if this property changes hands by conveyance,
8 that the new -- the new owner, when the title vests to
9 this new owner, they are going to have to put up \$6
10 per-foot for every footage or for every wellbore on that
11 tract.

12 MS. KOKINOS: That's not true.

13 MR. REVARD: That's not true?

14 MS. KOKINOS: No.

15 MR. STREATER: As previously discussed in
16 this, they have three options for bonding. We gave
17 those three options as we discussed. We went to all the
18 surrounding oil producing states that border Oklahoma
19 and what each one did. And crafted these options to
20 hopefully be the best options that we have. As we said,
21 it's not easy. You see \$5,000 not enough? We agree
22 \$5,000 is not enough. \$1 million is certainly too much.
23 So, we have to reach out and do that.

24 The Texas option is one of the options that
25 they use. We used that, due to the mere fact that most

1 of the wells, as you said, are 2500 foot or less. And
2 that's not like you are going -- if they want to go by
3 the per-foot option, it's not like they are on average
4 going into a 10,000 foot well doing that. If they have
5 an 1800 foot well, that may be best. That's an
6 operator's decision, not mine. However, they do the
7 \$75,000 county-wide option. We don't have a statewide
8 option because we're not dealing with anywhere in the
9 state but the county. So, we give them a \$75,000
10 county-wide option. Or as the big operators already
11 use, in which we don't expect the mom and pops to use,
12 that's why they are grandfathered in, is the nationwide
13 bond of \$150,000, which your top four already do
14 utilize.

15 MS. KOKINOS: It's the same as the three
16 options under the current regs. The current regs you
17 can do the \$5,000 bond, a \$50,000 collective bond that
18 covers leases combined total up to 10,240 acres, or the
19 nationwide bond for 150,000. The change here is that
20 the \$5,000 lease bond would disappear, because as we all
21 agree, that's not sufficient. It's replaced by the
22 option for an individual well bond for the \$6 per-foot
23 of measured or projected well depth, the collective bond
24 would be converted to a county-wide bond, So, that's
25 specific to Osage, would be \$75,000. And the \$150,000

1 nationwide bond would remain the same.

2 MR. REVARD: Okay. Let's get back to a real
3 live situation I've already mentioned. I'm going to
4 stay on that theme of the producer that's got three
5 tracts. Got 15 grand in bonding right now, which
6 they'll never see again. 28 wellbores and elderly.
7 That person wants to sell the properties before they
8 pass away. What is that new owner -- what's the new
9 owner's option?

10 MR. STREATER: Are we talking about current or
11 the new?

12 MR. REVARD: The new one.

13 MS. KOKINOS: Under the proposed rule their
14 options are to post one of three types of bonds. They
15 can do the individual well bond where they pay \$6
16 per-foot.

17 MR. REVARD: That's \$420,000.

18 MS. KOKINOS: Right. So, they wouldn't do
19 that. So, you would do either then the county-wide,
20 which is \$75,000 or a nationwide that's 150,000. They
21 can choose from any of those three. It's up to them.

22 MR. REVARD: Okay. So, you are saying that
23 you will accept a \$75,000 county-wide bond?

24 MS. KOKINOS: Yes.

25 MR. STREATER: Absolutely.

1 MS. KOKINOS: For any lease, regardless of the
2 number of wells.

3 CHAIRMAN WALLER: This is Chairman Waller.
4 That's exactly what we need to hear -- for any lease.

5 MS. KOKINOS: It's for any lease.

6 MR. REVARD: So, let's get back to reality.
7 This person doesn't have \$75,000 to pledge to the
8 bonding company to get the \$75,000 bond. And if he had
9 \$75,000, he wouldn't spend it in Osage County.

10 MS. KOKINOS: But if he doesn't have \$75,000
11 in assets or cash that he can pledge to the bonding
12 company and he's taking over 28 wells, how is he ever
13 going to be able to afford to plug them.

14 MR. REVARD: We were happy to have them take
15 over one well and produce one barrel a day. Okay. So,
16 we want to encourage somebody to take over these wells.
17 And we want to make it easy for them to take them over
18 and produce them. We don't want to see him end up on
19 your all's well plugging list.

20 MR. STREATER: This isn't the only -- there
21 again, bonding is not only for well plugging. It's for
22 unpaid royalties. When we collect a bond and someone
23 runs out on the bond, the royalties for your headright
24 owners come out of that bond. It's just not for well
25 plugging. And when you've got 28 wells out there, you

1 know, unpaid royalties, they add up.

2 MR. REVARD: There won't be any -- there won't
3 be any barrels to have royalty on them. Right now 21
4 wells, as I mentioned in that scenario, are not
5 producing a drop of oil. And in today's climate, price
6 per barrel, and the cost to the service companies today,
7 nobody's doing any remediation work, well goes down, you
8 leave it there. They are not going to spend money right
9 now with the price of oil the way it is.

10 MS. STREATER: Well, I guess that goes back to
11 what is the -- what would the Minerals Council like to
12 see? We are operating under the current regulations
13 right now.

14 MR. REVARD: Well, we've already published
15 January 13 to now. You have this dark cloud over our
16 mineral estate and nobody wants to come spend their
17 capital dollars or risk their capital dollars on our
18 mineral estate.

19 MR. STREATER: So, the service companies are
20 going to lower the prices of the current regulations --

21 MR. REVARD: They are going to another county.

22 MR. SUDAR: Paul, do you know how much it
23 costs to plug a well right now? Like, typically like an
24 average?

25 MR. REVARD: Yeah, I do. Because I was the

1 Chairman of what we called the well plugging committee.
2 And we've already blown through \$3 million of United
3 States' congressional appropriations. So, we've got
4 some experience in plugging wells. I would like to talk
5 about producing wells instead of plugging wells. But my
6 question is -- I do know what it cost. It could be as
7 low as \$7500.

8 MR. SUDAR: So, then that needs to be part of
9 that comparison formula; right? So, for the situation
10 that you were describing where you got 21 wells that
11 aren't producing, but you've got to post a bond for 28
12 wells, and you're trying to decide, okay, is the \$75,000
13 county-wide bond cheaper than -- you obviously don't
14 want to bond all 28 of those at \$6 per-foot; right? So,
15 do I bond the seven at \$6 per-foot, plus pay for
16 plugging the other 21 that aren't producing, and compare
17 that to the \$75,000. So, I think that's where that --
18 that's that mathematical comparison that the operator
19 has to make; right? It's not \$400 and something
20 thousand. It's what's the \$7,000 per well of the 21 I
21 need to plug because they are not producing and I don't
22 want them perfed on the ground.

23 MR. REVARD: Let's talk about another
24 condemnation. And I use that word because that's just
25 what comes to mind. I don't know another word to

1 describe it. When we sell a lease, when I started out,
2 like I said, 46 or seven years ago, you bought a lease
3 at the auction, the auctioneer would say, Tract No. 135
4 has two existing wellbores unplugged. They produce from
5 the Bartlesville sand and they average 25,000 barrels
6 per well at the time of abandonment, they were still
7 doing this much barrels per day. The people that wrote
8 that little summary I just said is from the Bureau of
9 Indian Affairs' office, the Osage Agency, it was their
10 Petroleum Engineer would write this to explain to the
11 people, the bidders, a little enticement. It was at the
12 option of the successful bidder if they would assume the
13 plugging responsibilities of that wellbore. They would
14 actually state out loud that there are two unplugged
15 wellbores, and the successful bidder, they assume those
16 wells if they So, choose to do So,. Now the
17 Superintendent has implemented what I call are her
18 policies, to where now if you buy one of our leases, you
19 have to assume the plugging liability of every single
20 well on that tract. It's not in the CFR's. Doesn't say
21 that anywhere in this little wore out book. I don't
22 know what it says in here, in your new book because I
23 haven't read it all. I've read enough to know it's
24 unacceptable. And every once in a while I pick it back
25 up again, as much as I can stomach at a time.

1 So, if we have a property, let's just keep
2 going back to that one property, those three tracts. If
3 that operator dies and the children don't want it, but
4 there's still potential there, maybe the offset operator
5 he has a discovery of the Arbuckle well at a deeper
6 depth. Like, oh my gosh, it looks like it overlaps into
7 this tract we were just talking about. And somebody
8 wants to go in there and drill an Arbuckle well right
9 next to the other Arbuckle. And it's a barn burner.
10 Well, who is going to want to go drill one well if they
11 have the plug -- take the plugging responsibility of 28
12 wellbores. They aren't going to. It's not worth it for
13 one well. Now I got to take all 28 wells to produce
14 one? I'm not going to do it. So, this condemns our --
15 it just makes it -- it's just unmarketable. There's
16 other words. But we need to talk about what we could do
17 in reality. And I'm just showing the one example over
18 and over again because this is what we have. This is
19 who we are. We are unique. We are not shifting -- you
20 know, occidental. We are not some of these mid-size and
21 large companies. We are small companies with a couple
22 of exceptions. I just mentioned that two of the
23 producers produce 41 percent of every barrel. And you
24 all with your own numbers say that the average producer
25 is going to have to pay anywhere as little as \$18,000 a

1 year to up to \$26,000 per year. And implementing these
2 regulations or complying with these regulations, we've
3 got operators that don't make that kind of money. And
4 you're talking about taking 100 percent of their profit.
5 100 percent. So, it's just reality.

6 MR. STREATER: You know, we can talk about
7 that. Obviously that -- the figures in the -- that's an
8 average. Your mom and pops aren't going to pay that
9 much. That's an average. And what skews that average
10 is you have those two operators that produce almost all
11 the oil. And man that skews that average that's on
12 there. The mom and pops are not going to be bearing
13 that amount of the burden.

14 MS. KOKINOS: The Regulatory Impact Analysis
15 assumed for analysis purposes that the costs would be
16 born equally among all current operators. But there was
17 a caveat in there that that's not how it actually
18 happens; right? The people who have the most production
19 will bear the largest burden in terms of those costs.
20 Small operators won't. Sorry. Go ahead.

21 MR. REVARD: Okay. Well, too, our counsel
22 mentioned this earlier, and maybe Chairman Waller did as
23 well. If these get implemented, I foresee that our
24 mineral estate being developed by just a handful of our
25 largest producers, those that have a stack big enough

1 that this is just a bump in the road, they are used to
2 doing this elsewhere, and have all the smaller operators
3 just not be able to comply or want to even if they
4 could. And I don't think that's good for our future
5 development of our mineral estate. I think limiting it
6 to just a handful of operators is not in our best
7 interest. So, we want to -- we kind of like it the way
8 it is. We just wish that the environment was more
9 producer friendly. Thank you.

10 MR. MOUTON: Councilman Revard, I have a
11 question for you. By the way my name is Michel Mouton.
12 I have a question for you. So, let's do a "what if" for
13 just a moment on that one scenario that you were talking
14 about and just you and I go over the "what if." So, if
15 we had that situation where you have a producer that's
16 got the 20 some odd wellbores, and they want to -- they
17 want to -- they don't want to be in the business any
18 more, for whatever reason, that part doesn't matter, and
19 the bonding requirement for those wellbores is \$75,000
20 because that's the lowest amount that you can get for
21 that many number of bores. And you are saying that that
22 still makes that particular lease worthless. What would
23 you consider a practical solution to that, taking into
24 account all factors which is leaving the bores open is
25 not an option, not one that environmentally anybody

1 wants to deal with, and if \$75,000 is too much or makes
2 the lease worthless, what would you consider to be a
3 viable working bonding solution to that scenario?

4 MR. WILSON: And if I could, just real quick,
5 as a part of this discussion, the 7500 that Paul
6 mentioned for -- this is Rollie Wilson, attorney for the
7 Mineral Council -- for well plugging, that's kind of our
8 low number. Our average is more like \$20,000 to
9 \$70,000.

10 MR. MOUTON: Per wellbore?

11 MR. WILSON: Or per lease.

12 MR. REVARD: We had a well -- our first well
13 we plugged under the plugging program that I mentioned
14 earlier cost \$258,000.

15 MR. MOUTON: Special circumstances.

16 MR. REVARD: It was really unusual. We had to
17 reroute a road around a railroad track. It was just
18 horrendous.

19 MR. MOUTON: That's atypical though.

20 MR. REVARD: But our average plugging cost is
21 \$22,500 if I'm not mistaken.

22 CHAIRMAN WALLER: That's correct.

23 MR. REVARD: This is 68 wells that we've
24 plugged to date using the United States Government
25 congressional appropriations. So, we have some good

1 numbers. Unfortunately we are really good at plugging
2 wells.

3 MR. MOUTON: Okay. So, my question then again
4 is, what would you consider, from a regulatory
5 standpoint, an appropriate bonding requirement where we
6 don't run into the problem where we are making something
7 worthless, which we don't want to do, surely we don't,
8 and yet we satisfy the requirements that need to be
9 satisfied with environmental issues and, you know,
10 seepage and open holes and all that kind of stuff, we
11 satisfy all that, where do we want to go? What would
12 you consider to be a good solution to that? I would
13 like to hear it.

14 MR. REVARD: Well. Okay. So, that's a good
15 question. I don't have the answer. But I think in our
16 future meetings, and I hope that we have lots of them
17 that maybe we could work through that and come up with
18 some ideas. I, for one, do not have an answer.

19 I do know this. The current situation that we
20 have is not necessarily the fault of the current
21 operator. Most of our current operators didn't drill
22 the wells that they are responsible for today. The
23 scenario I'm talking about earlier, those wells were
24 drilled in 1980. They changed hands multiple times.
25 This may be the fourth owner. Their only exposure was

1 \$5,000 per tract, three tracts, \$15,000 in this
2 scenario. That was the only exposure. Now you're
3 talking about -- when you talk about the \$75,000
4 county-wide bond. Well, that's really for -- it's not
5 like I'm going to invest this \$75,000 in a CD and I'll
6 cash it in some day and have it released. It's gone
7 forever. If that \$75,000 was to buy those three tracts
8 with the 28 wellbores on it, that cost \$400,000 to plug.
9 I don't know if the -- \$6 a foot, it would be \$420,000.
10 An average cost of 20,000 per well times 28. I haven't
11 done the math. Half a million dollars. That \$75,000,
12 that operator that would buy that property and pledge 75
13 cash, \$75,000 cash, is going to have a \$500,000
14 liability to buy that property. So, they will never get
15 the bond released. So, they are giving away \$75,000
16 cash. So, if you're buying a property, a lot of our
17 properties sell for just the salvage value of the
18 equipment that's sitting on the properties. It may be
19 capable of doing 12 barrels a day, but it's not making
20 12 barrels a day. But it's got \$60,000 worth of
21 equipment. So, maybe the seller says, I want 60 grand,
22 you can have the production, give me my \$60,000 of
23 surface equipment, pumping units, tanks, these kind of
24 things, electric motors and what have you. But if they
25 are going to have to shell out \$75,000 cash that they

1 know they will never see again, they are going to go
2 next door to Kay County, Pawnee County. I don't know
3 the answer. But the issue exists today is significant.
4 And it's not through the fault, in most cases, of the
5 current operator that's sitting on them right now.

6 MR. MOUTON: Okay. And I don't think any of
7 us are actually trying to find fault. We are trying to
8 find solutions. So, my question then, the next question
9 then becomes, what is it that's then making that lease
10 worthless? Or of no value? What is the specific
11 condition that's creating the no value? Is the cost of
12 the -- or potential cost of the bonds, the \$75,000, that
13 they may or may not ever get to do like the original guy
14 who obviously paid \$5,000 when he were finished, he
15 walked. Okay. Is that what's --

16 MR. REVARD: The exposure is \$75,000. And
17 does somebody want to shell out and up to \$75,000 that
18 they will never see again. So, that's what it is. Is
19 the property worth enough to give up \$75,000 before they
20 produce their first barrel of oil?

21 MR. MOUTON: At three-fourths of a barrel a
22 day for however number of those wells, is he going to be
23 able to recover his money? Is that the issue?

24 MR. REVARD: Yeah. I assume so,.

25 MR. SUDAR: In that scenario if you've got a

1 well that's producing 12 -- or a property that's
2 producing 12 barrels a day, that producer is going to do
3 that math; right? And figure out the future value of
4 all those potential collections off that 12 barrel a day
5 situation. And they will be able to compare that
6 against the \$75,000 outlay and make their business
7 decision on whether that -- I mean, they are going to do
8 that. They are not just going to say, well \$75,000 is
9 too much. They are going to do the math there because
10 you are going to have that information to give them and
11 say, look, this makes 12 barrels a day. So, I think
12 it's more a matter of education; right? Of explanation
13 than just that's too much; right? I think there's ways
14 that that can work at the \$75,000 level.

15 Now, it looks like the current bonding for
16 option for what's called a collective bond is \$50,000;
17 is that correct? So, that's the current, I guess you
18 could say max; right? Because that would cover
19 everything you're doing in the whole county.

20 MR. REVARD: Yeah. But a lot of our operators
21 don't qualify for that.

22 MR. SUDAR: They're not getting to level;
23 right? Because of they have fewer --

24 MR. REVARD: They don't have a financial
25 statement strong enough for the bonding company to give

1 them that blanket bond, that collective bond.

2 MR. SUDAR: Oh, I see. Okay.

3 MR. MOUTON: That's the requirement but they
4 don't qualify for it.

5 MS. KOKINOS: It's an option. They are not
6 able to avail themselves --

7 MR. REVARD: It's not an option if you can't
8 take advantage of the option.

9 MS. KOKINOS: It's an option of the bond, not
10 an option for them necessarily.

11 MR. REVARD: You're under capitalized and
12 can't operate it.

13 MR. SUDAR: And the reason that they would be
14 not getting the bonds back at the end of their time is
15 because the cost of all those abandoned wells because
16 that's part of -- is that correct? That's part of the
17 current situation is that if you got an. Sorry. If you
18 got abandoned wells and you want to pass the lease off,
19 then they are going to take whatever value of your bond
20 is necessary to plug those wells at the end of that. Am
21 I understanding correctly?

22 MR. REVARD: Well, and none of our leases have
23 enough bond coverage to satisfy that requirement.
24 That's why we're here. And the federal government is
25 obviously trying to pass that off on somebody that's

1 capable of taking over that responsibility. And in our
2 case, there is nobody. You just condemned our acreage.
3 Nobody wants that liability. And it's a hot potato.
4 These shut-in wells are hot potatoes. That's why during
5 our biannual, I asked what is that number. How many of
6 those shut-in wells are out there. What is the real
7 exposure that when that person walks away, what is that
8 exposure. And I'm not looking at it necessarily from
9 exposure of the plugging in environmental concern.
10 However, as good stewards of our land, that's a very
11 high priority for us. And our Chief here, who has
12 successfully acquired a significant property in the
13 Osage Nation's name, has active wells and orphaned
14 abandoned wells with remediation issues that are a
15 concern. So, yes. We are very concerned
16 environmentally. But these hot potatoes are -- we
17 talked about fault. They are not fault in a lot of
18 instances, they are not at the fault of the current
19 operator but they are there. I would like to at least,
20 if nothing else, today think of maybe we can put
21 something in place from this day forward and use the
22 word grandfather and make it more inclusive and not So,
23 conditional. The grandfather yeah, it's grandfathered
24 but it's conditional. This doesn't qualify. Well, if
25 you do that.

1 So, we need -- we want to keep -- we want to
2 continue to work towards the future and development this
3 mineral estate. Otherwise we're going to die on the
4 vine. We're at a critical point.

5 MR. MOUTON: Okay. So, to continue that
6 thought right there, would you agree that the value of
7 any lease is what a willing buyer would pay for it?
8 It's kind of like real estate anywhere else. If you
9 have a piece of real estate to sell and you can't find
10 anyone to buy it, it doesn't matter what you think of
11 it, it's not worth anything because no one will buy it.
12 You can't find a willing buyer at any price. So, what a
13 buyer's willing to pay for it is a huge factor in
14 determining what it's worth. The buyer then has to
15 determine whether or not whatever carry costs there are
16 to acquire that, if they are worth it to them to pay for
17 whatever it is you're asking for or whatever. It's
18 willing buyer, willing seller. You agree with that;
19 correct?

20 MR. REVARD: I do. And what's happened
21 different and what your proposed rules do that are
22 different than the past is before a property could
23 transfer from one owner to another and the bonding
24 requirement remained the same. So, they know what they
25 are getting, what their exposure is. They know they are

1 accepting all those wellbores, but they also know they
2 don't have to plug them today. And they also know that
3 they could walk away from them and the only exposure is
4 that bond at \$5,000 per tract.

5 MR. MOUTON: But could we both agree today
6 though that that -- playing that game doesn't work long
7 term for --

8 MR. REVARD: Absolutely.

9 MR. MOUTON: -- the interests of the tribal
10 lands, the environmental interests of the tribe. We
11 can't just leave wellbores abandoned.

12 MR. REVARD: It reminds me of grade school.
13 We had what was called a cake walk. And when the song
14 ended and there's only so, many chairs.

15 MR. MOUTON: You had to be in a chair.

16 MR. REVARD: Yeah. One person wasn't going to
17 make it to the chair; right? So, right now, our current
18 operators are the ones that don't have a chair to sit in
19 if you implement this today. They are stuck holding the
20 bag. They can't pawn it off on somebody else or sell
21 it. Nobody else is going to want it.

22 MR. STREATER: Well, that's the elephant in
23 the room. This is not about pawning something off on
24 somebody because that's what's happened all of these
25 years. We are here to protect. And our trust

1 responsibility is to the shareholder. And the buck
2 stops there, not the operator.

3 MS. KOKINOS: But to be clear, the new
4 regulations, the proposed regulations do not require
5 someone who is taking over an old lease to take every
6 single well that's on that lease. I mean, they can
7 negotiate that with the person they are taking it from.
8 But you're even now and in the future, you are not
9 required to plug orphaned wells on your lease that were
10 orphaned wells when you took it. If you go to a lease
11 sale and you take a lease and there were unplugged wells
12 and you chose to take them and you didn't ask for any of
13 them to be left out or you didn't want to take
14 responsibility for them, that's different.

15 MR. REVARD: It's not optional.

16 MS. KOKINOS: It is optional.

17 MR. REVARD: Well, according to our
18 Superintendent it hasn't been.

19 MS. KOKINOS: Okay. Well, we can talk to the
20 new Acting Superintendent and talk about that.

21 MR. STREATER: We definitely have leases where
22 they accept --

23 MR. REVARD: Our Chief has a comment to make.

24 CHIEF STANDING BEAR: Just a couple of
25 questions and I would like to return to this.

1 MR. STREATER: Chief, after your -- these
2 comments, it is noon, would you all like to break for
3 lunch.

4 (Off the record discussion)

5 CHIEF STANDING BEAR: It's two questions and
6 then come back to the more complicated bonding issues.
7 However, I have one other comment. I think you might
8 have misspoke inadvertently. The trust responsibility,
9 the way we look at it, goes only to our Osage
10 shareholders, not the non-Osage shareholders, but to the
11 Osage shareholders, and also to the Osage Nation, which
12 is the elders. I think Mr. Simpson agrees with that.

13 MR. STREATER: Sir, when we're talking about
14 shareholders in this room, we are specifically only
15 speaking about Osage shareholders.

16 CHIEF STANDING BEAR: But the ownership is in
17 the Nation. But the beneficial interests --

18 MS. KOKINOS: It's held in trust for the
19 benefit of the Osage Nation specifically.

20 CHIEF STANDING BEAR: Yes. Okay. Wanted to
21 make sure we don't forget the Nation. Because the
22 environmental issues, we looked at that as the Nation's
23 responsibility as well. So, anyway, my two questions
24 were relatively simple. Then I would like to return to
25 the complex issues you are talking about.

1 At the February public hearing and after, a
2 lot of the producers were complaining about the ONNR's
3 computer portal and the reporting requirements through
4 that system. And I was hoping, and it may be too early
5 to form a response from ONNR's, but that you would
6 consider working with whoever within the Interior you
7 need to work with, to have someone on-site at the agency
8 like we do when we're doing our butcher house meat
9 processing plant. Well, we can't do that without the --
10 we have a USDA inspector on-site. And that's just part
11 of the system. So, I would encourage you to have some
12 staff somewhere a mom and pop can come in there, as has
13 been mentioned, some folks in the business don't even
14 have computers. They can bring their papers and sit
15 down with you, and you all can input it and then they
16 can sign off on it.

17 MS. KOKINOS: One second, April. So, ONRR
18 would definitely be providing training to all operators.
19 There would be multiple training sessions. But in terms
20 of at the agency, the agency staff will be trained on
21 ONRR system as well. So, people can come to the agency
22 if they need assistance and enter their information.
23 They can be assisted with that there. That is planned.

24 MS. LOCKLER: And that's a big piece of our
25 implementation consideration as well. I mean, one of

1 the things we take pride in within our program is
2 ensuring that we have, you know, a hands-on training
3 opportunities. It's what my folks do on a daily basis.
4 It's really what they take pride in. So, looking
5 forward to the opportunity to working with all of the
6 operators on Osage Nation land to work through the
7 transition to the electronic reporting.

8 The other key component I really want to
9 highlight is in the proposed rule, there's an exception
10 to the electronic reporting for small businesses. The
11 definition of a small business, according to the Small
12 Business Administration, is less than 500 employees for
13 said company. And what I'm hearing from you all is
14 you're that small operators are, you know, a husband and
15 wife, or you know, father and a daughter. Those qualify
16 as an exception to electronic reporting. And we'll work
17 with those operators to ensure that they can translate
18 their current reporting requirements to our paper form.

19 MS. KOKINOS: And we've done the analysis too.
20 Every operator in Osage County, even your big operators
21 qualify as small businesses.

22 CHIEF STANDING BEAR: Okay. I'm glad to hear
23 that's happening. I didn't know.

24 MR. WILSON: Chief, you mind if I ask a
25 qualifying question?

1 CHIEF STANDING BEAR: Sure. Go ahead.

2 MR. WILSON: If I could clarify. What I heard
3 the Chief say was like a help desk. An office that's
4 open. Somebody comes in, they sit down with an agency
5 or ONRR employee and they input the information for
6 them. But kind of what I heard Kristen, and I'm sorry,
7 I forgot your name, say it was more -- like training.

8 MS. KOKINOS: No. It's both. There will be
9 training that ONRR will do, broadly. There will be
10 training sessions hands-on. But there will also be
11 people at the agency that can help people with entry.
12 So, that can happen on-site. That's not just training.
13 That's to assist them with the reporting. But also all
14 operators in Osage County qualify as small businesses
15 under the small business administration.

16 CHIEF STANDING BEAR: Can this operator come
17 every month and have it done every month?

18 MS. KOKINOS: Yes.

19 CHIEF STANDING BEAR: Free of charge?

20 MS. KOKINOS: They can also offer paper
21 reporting if they don't want to do that.

22 CHIEF STANDING BEAR: Because right now I know
23 people who use this ONRR system outside of Osage County
24 and they really struggle with it. Is that offered to
25 them as well? Do people outside of Osage County have

1 that type of assistance to do their -- to do all their
2 paperwork for them?

3 MS. LOCKLER: I can't give you a definitive
4 yes or no.

5 CHIEF STANDING BEAR: But you all are willing
6 to do that for our producers.

7 MS. LOCKLER: They qualify under the
8 exception, again, to submit a paper oil and gas
9 operations report, or a 2014. And again, this is one of
10 the things that, you know, we'll give the training. And
11 depending on, you know, what region they are working in,
12 it's that hands-on submission of the report.

13 CHIEF STANDING BEAR: I'm thinking of some
14 individual people that I know that come to us at our
15 regular scheduled meetings that may not want your all's
16 training and they will just bring their paperwork and
17 hand it off to you guys and you all just do it for them
18 for free.

19 MS. KOKINOS: We can assist them with doing
20 it. We can't just always do all of the --

21 CHIEF STANDING BEAR: You'll provide the
22 computer. You'll have somebody sitting next to them
23 every month and help them do it every month.

24 MS. KOKINOS: If that's what they need.

25 CHIEF STANDING BEAR: And you realize we have

1 286 operators. And about 200 of them will, for one
2 thing will be gone if these are implemented in the
3 format they are now. But just say 15 percent of our
4 operators that may need that, that room that we are
5 talking about is going to be packed especially if the
6 due date is the same for every operator. You are going
7 to have 20, 30, 40 people every month on that one day.

8 MR. STREATER: You have 243 operators now that
9 are submitting paper reporting. They can still -- every
10 single person in Osage County, we know that not all of
11 them are doing it. They have been asking us. The big
12 operators want the electronic reporting. They are --
13 every operator is submitting paper copies. They can
14 still do that.

15 CHIEF STANDING BEAR: So, the electronic is
16 optional.

17 MS. KOKINOS: Right. If you qualify as a
18 small -- the regs --

19 CHIEF STANDING BEAR: Which is all of us.

20 MS. KOKINOS: Right. Everyone qualifies to be
21 a small business, which means if they don't want to have
22 to submit to electronic reporting, they can fill out the
23 paper form and submit it. It would still be submitted
24 to ONRR. It doesn't get submitted to the Osage Agency,
25 the form. It's still just a paper form just like they

1 do now, just a different form.

2 CHIEF STANDING BEAR: Going to be blue paper,
3 yellow paper, green paper like it is now?

4 MS. KOKINOS: No colored paper.

5 CHIEF STANDING BEAR: I just want to remind
6 everybody, the court reporter can only do so much. So,
7 when you talk back and forth really fast, it makes it
8 difficult. But I have another quick question. The
9 appeal section, could you explain why the proposed rule
10 is quicker than the current regulations. And as we know
11 the appeals include just about all kinds of stuff. In
12 my office we see these appeals for termination for
13 nonpayment. And you know, just languish in the IBIA. I
14 just think that cuts out options to our Minerals Council
15 if they wanted to take over, negotiate with the lessees
16 to some of these -- just have assigned over to us.
17 However you all want to do it. But if these things are
18 stuck in litigation, it just doesn't help anybody. So,
19 why are these rules better than existing rules?

20 MS. KOKINOS: They are not. So, here's the
21 thing. So, the rules in 25 CFR Part 226 do not govern
22 the appeal process for Indian affairs. The regulations
23 in 25 CFR Part 2 do. So, any appeals under 226, any of
24 those operations, are subject to the appeals regs there
25 in 25 CFR Part 2. And those regulations are the same.

1 Except for the piece that would eventually go to ONRR.
2 But for the regular operating regs, that appeal process
3 would be the same. We don't have control over the speed
4 of the IBIA. But I do know that they recently brought
5 on an additional judge.

6 CHIEF STANDING BEAR: Well, it always -- back
7 when I was much younger, it always amazed me that the
8 judges of the IBIA, those judges, have to learn that
9 Osage is unique. And they have to educate themselves on
10 top of the regular load they have. It just slows us
11 down. Is there any alternative to appeals for the Osage
12 that we can have the federal system handled quickly So,
13 that the decisions can get back to our Minerals Council?

14 MS. KOKINOS: There isn't. But as far as the
15 IBIA being knowledgeable about Osage, my former boss,
16 Ken Dalton, is now a judge on the IBIA. So, you do have
17 someone there who is very well versed in the specifics
18 of Osage.

19 CHIEF STANDING BEAR: I would just like a new
20 system in place.

21 MS. KOKINOS: We would too.

22 MR. SIMPSON: I will tell you, Chief, that
23 the -- Kristen referred to the CFR Part 2 regulations.
24 Those are being revised as well. We published proposed
25 regulations in December. The comment period ended on

1 January 17th. We got a grand total of one comment from
2 the Navajo Nation. And we are responding to that
3 comment. And we are getting -- going to hopefully be
4 publishing the final rule in the next couple of months.
5 That is oriented towards trying to speed some of that
6 part of the process up.

7 Now, that only takes you through the BIA.
8 Okay. That does not deal with the Interior Board of
9 Indian Appeals. But I will tell you that the Office of
10 Hearings and Appeals, which is all the three appeal
11 boards and the administrative law judges and all of
12 that, and the Department is also revising their
13 regulations. And some of the -- they are not to the
14 proposed rule stage yet. I don't remember. I've seen
15 the time frame because I've been commenting on them.

16 One of the -- but some of the things that they
17 are thinking about in the draft that I've seen, okay,
18 and this may change, but there's a provision that the
19 Interior Board of Indian Appeals can refuse to take a
20 case. Sort of like the Supreme Court does. And So, if
21 they don't think that -- they don't have to give a
22 reason for that. So, that would mean that it would skip
23 the board completely. Okay.

24 There is also a provision where right now, the
25 way it's written right now, that the person who filed

1 the appeal can, after the appeal has been pending for --
2 this sounds very strange what I'm going to say, but
3 that's the way they are written. After the appeal has
4 been pending for three years, they can ask the board to
5 just dismiss it.

6 Now, we're suggesting -- again, that's a
7 draft. They're limiting right now to the person who
8 filed the appeal. I think they are probably open to
9 other folks who are interested in that appeal. But in
10 any case, the bottom line is that those regulations,
11 which govern how the board operates, are also being
12 redone. And as there will be an opportunity, I would
13 advise you to keep track of those when they come out.
14 Because that's going to be -- you and any other tribe
15 keep track of those when those come out. They are also
16 instituting an electronic filing process. We've already
17 been in discussions with them about how Indian Country
18 in general is different in terms of being able to file
19 electronically.

20 CHIEF STANDING BEAR: It's an option.

21 MR. SIMPSON: And they've said that they are
22 going to make it an option. But I would advise you to
23 keep track of those as well because that's going to be
24 the real fix for the concern you've got.

25 CHIEF STANDING BEAR: Because you all are So,

1 involved, I'm glad to see this motion on it. Really,
2 like, 30 years overdue. But I would also like to see
3 some settlement conference authority on the BIA and IBIA
4 to send it back to us So, the Minerals Council could sit
5 in on settlement conference. Because after they take
6 off to -- up east, they are there, as you know, a lot of
7 people who appeal have no intention of following through
8 with federal court. They are just delaying. And I
9 would like to see that delay option reduced if possible.

10 MS. KOKINOS: Us too.

11 MR. SIMPSON: As would we.

12 MR. COLLINS: This is Matthew Collins from
13 ONNR's appeals and regulations program.

14 CHIEF STANDING BEAR: There you are.

15 MR. COLLINS: I wanted to add. Appeals from
16 ONRR orders is under the proposed rule governed by
17 226.178. And appeals from ONRR orders would be to
18 ONNR's director. And our program works on its appeals
19 and works to, when possible, resolve those appeals
20 without the need for a formal decision or a further
21 appeal to the IBIA or to federal court. And So, we will
22 sit down and we'll analyze the merits of an appeal. You
23 know, sometimes ONRR does get things wrong. And if
24 there's something wrong with our order, we will address
25 it. And that will involve sometimes withdrawing the

1 order. And we we'll analyze the merits of the company's
2 appeal. And if it lacks merit, we're to convince them
3 to comply with the order. And we have a great deal of
4 success with that. The vast majority of our appeals get
5 resolved early in the process, and without the need for
6 a formal decision. And we will be available to the
7 Osage Nation and the Minerals Council for when they see
8 something being appealed, and they have questions and
9 concerns about it, to hear those concerns. So, that
10 brings a level of early expertise that the IBIA does not
11 necessarily have. It takes them a little bit longer to
12 get up to speed on things. So, we're a resource for
13 you.

14 CHIEF STANDING BEAR: Well, that's great. And
15 if you would just in the appeals section when it comes
16 out, spend a little more time explaining the progress.
17 Because I mean, it's not better right now. But it could
18 be better. And I don't know when that would be. I
19 don't think anybody does. But I would like to see some
20 more clarity on that appeals section.

21 MR. RED EAGLE: Director Streater, I have just
22 one quick comment, particularly on the subject we are
23 talking about. Concerning ONRR, Office of Natural
24 Resource Revenue, I wrote a question to you, and then
25 you received it and answered back about the royalties

1 that are calculated by the Pawhuska district office;
2 right? You remember that? And you replied that the
3 royalties are calculated by the office. And I asked you
4 how much influence will ONRR have in that. And at this
5 point in time you said that there would be no employment
6 that will be disqualified. Nobody will lose their job
7 at this point. So, I think that's a good point at this
8 point talking about that ONRR will be -- more likely
9 will be involved some way or another. But in my
10 opinion, you know, just like Chief was talking about,
11 you know, there's individual marginal well producers in
12 Osage County. Is it's going to be slow. Some of them
13 are not going to report like we want them to. So,
14 that's the criteria here that we have to work through in
15 my opinion. Thank you.

16 MR. STREATER: That is correct. ONRR will be
17 on the accounting accountability side. They will not be
18 involved in the annuity payment. That will still be
19 carried out by the agency. So, no staff will be
20 displaced.

21 CHIEF STANDING BEAR: That will have to be
22 explained better for us. And finally, back to the
23 complicated issues on this bonding requirement. It was
24 mentioned that we have a little experience now on this
25 remediation, and we do just on 43,000 acres. And the

1 cost of -- and the surveys for remediation, the BIA may
2 come up with a certain number, which they have in our
3 case, and a private company which we retained came up
4 with another number, which they have. And those numbers
5 are very different. And it just shows that to me the
6 difficulty in assessing what is really going on. And
7 then as we all know, the environmental laws are sweeping
8 in liability claims. And the United States is not
9 excited about jumping into that. We get that. But at
10 the same time, we've got to be able to move ourselves
11 forward with having a federal presence on that 43,000
12 acres. That's clear. And we're working on that
13 separately with -- Julie's going to help us; right?

14 MS. ANDERSON: Yes.

15 CHIEF STANDING BEAR: She's perfect for this
16 by the way. But for the whole 1. -- 1,450,000 acres of
17 which some is undeveloped, that is just staggering to
18 me. And So, that brings to my point before Paul takes
19 back over here with you guys, is for someone like us who
20 are just focused in certain areas and not the whole
21 mineral estate, but if we want to fulfill our
22 responsibilities, where can we go for the encyclopedia
23 with some current numbers that are reliable about, you
24 know, how many of this or what amount here and during
25 this time period. That's going to take some money. And

1 I would like for people in the room here who are close
2 as you get to being responsible for that, to figure out
3 how can we get a database that's accessible to
4 understand what is going on that sets these requirements
5 for So, many things, including bonding. Because that
6 data, a lot of us are just guessing. I know we have
7 environmental scientists. But my experience is that the
8 two qualifying environmental scientists come up with
9 very different answers. So, I would like to see, if
10 we're going to say 10,000 or 20,000 or whatever dollars
11 it's going to be, what is the reliable basis for that?
12 And where is that data So, the rest of us can jump in
13 and look at it. And I don't know how we are going to
14 get that. If it's already there, someone needs to let
15 us know. There you go.

16 MR. STREATER: Thank you for that comment,
17 Chief. Paul, it is after lunch. We can keep going for
18 everybody. So, how about 1:15. It will be a little
19 short, but we want to get as much time as we can. Thank
20 you. And we'll reconvene at 1:15.

21 (A short break was had; after which the
22 following proceedings took place:)

23 MR. STREATER: All right. We'll go ahead and
24 get started. Paul, did you want to lead off?

25 MR. REVARD: I will say this, we have a new

1 Council member, not Council member but one of the
2 Council members that wasn't here this morning for our
3 session, Talee Redcorn, who has just arrived. I don't
4 know if he's ready to speak or not. I did want you to
5 recognize him. Talee Redcorn. Talee, I'll say this,
6 we've got a court reporter trying to keep up with us.
7 You might spell your name and all that when you're ready
8 to talk. I don't have anything to add at this time.

9 MR. RED EAGLE: I would like to point out a
10 couple of ideas that I had earlier about the mineral
11 estate. And it was discussed in some, not as much
12 detail, but about the shareholders, the Osage mineral
13 shareholders. As you know, back in history, as we
14 discussed before, 1906, Allotment Act was put out in
15 1906, a long, long time ago. And signed by Theodore
16 Roosevelt. President of the United States. And he was
17 a Republican. And the Chief was talking about the --
18 how many people are -- what's the population of the
19 Osage Nation now. I believe it's around 21,000; is that
20 correct?

21 CHIEF STANDING BEAR: A little bit more but
22 that's close.

23 MR. RED EAGLE: Maybe 22,000. But only 4 or
24 5,000 that last count were shareholders. So, that needs
25 to be pointed out. Only 4 or 5,000 shareholders out of

1 that 21 or 22,000. That's what we are talking about.
2 We are not talking about the Osage Nation. Maybe some
3 day they will be shareholders, like my grandchildren,
4 grandchildren's children. They will be shareholders
5 some day, but they are not shareholders right now. It's
6 only by law in 1978 or 1982 the laws were changed that
7 only by hereditary purposes you can be a shareholder.
8 Some day they will. Some draw more, quite a bit more
9 than others, some draw not very much at all. Some draw
10 as little as 1/32, even less than that. Some draw
11 fractions, some draw more than that, you know. But that
12 needs to be pointed out, especially today, because of
13 the uniqueness that people be talking about up to now.
14 There has been -- it's been expressed several times how
15 unique this mineral estate is. That's one of the
16 reasons why it's unique. And it only addresses the
17 mineral. They call them headrights. Where they came
18 from, I don't know. But they address it as headrights
19 in the beginning. And it was only supposed to go for, I
20 believe, 20 years in 1910 or somewhere around in there.
21 But as oil became popular, Henry Ford developed the
22 Model A, Model T, and it became popular for the consumer
23 to purchase it at a low price. At that point in time
24 you couldn't buy a car for -- nobody could buy a car.
25 Couldn't afford it. But now when he did that, he

1 invented an assembly line, which was turned right out of
2 a meat processing plant. And he did an assembly line
3 and it was built and they were putting out hundreds of
4 cars a day. So, it lowered the price. That's why oil
5 became popular. Rockefeller and Phillips and all of
6 them, they been working on it for years. They all
7 became very, very wealthy. And a lot of our people
8 became wealthy too when the oil became popular at that
9 price. But that's the uniqueness that needs to be
10 expressed.

11 And there's a lot of points that we really do
12 need to go over. But that was one point that I felt
13 like it needed to be said today. Because in 1982, I
14 believe it was, one of the Osage County Mineral
15 Councilmen at the time, Tribal Council at that time,
16 expressed that in perpetuity that the mineral estate is
17 going to last forever. It was stated at that point.
18 And that needs to be pointed out also. In other words,
19 it's not going away. You know, oil and gas is not going
20 away. We all know that.

21 We had a settlement last year right here in
22 this building. And there was an expert there that
23 talked about -- talked about the alternative energy.
24 Environmentally speaking, you know, about the world.
25 What it's going to be like, you know. And the first

1 thing he said, and he was an expert. He was a doctor.
2 He said, oil is not going to go away. Oil and gas is
3 not going to go away. And in the year 2050, that's what
4 he said, a lot of us won't be alive in 2050. 27 years
5 from now. 25 to be exact. And he said it's going to
6 take -- there's So, many people in the world right now.
7 It's going on 340 million in the United States. We
8 don't even have an accurate count that I know of.
9 That's a population that has to keep warm in the winter
10 and keep cool in the summer. And that's going to take
11 everything. That's what this expert said. He said in
12 2050 it's going to take oil and gas, it's going to take
13 wind energy, it's going to hydrogen cells. It's going
14 to take -- what do they call those things? Solar
15 panels. It's going to take everything to do that. But
16 the one thing he did express for certain, oil and gas is
17 not going to go away. That's what we need to really
18 think about. That's where the Bureau of Indian Affairs
19 comes in. The Department of the Interior, Secretary
20 Haaland. Even President Biden. I even read today or
21 yesterday, as a matter of fact, that alternative energy
22 increased by So, much percent. I think it went up to 4
23 or 5 percent of the all the energy produced in the
24 United States. That's something probably President
25 Biden would like to see. I know he knows about it. But

1 yet at the same time, he okayed some leases in Northern
2 Alaska where it affects indigenous people up there. And
3 okayed some leases up there at the same time that
4 alternative energy was increasing. And it will
5 increase. I'm sure it will. But also the population of
6 the world, not only mention the United States, it's
7 going to increase too.

8 So, it has to come to a level where we -- we
9 got to make a decision here, you know. And we got to
10 think about our children just like they expressed
11 before. Got to think about our grandchildren. What's
12 it going to be like when my little grandson who is four
13 years old now. In 20 years he'll be 24; right? What's
14 it going to be like for him or this man's young children
15 here, and our Chairman's grandchildren. That's what
16 he's talking about. We are not here for us. Just like
17 when our great grandfathers were here. They weren't
18 talking about themselves. They were talking about us.
19 And we are doing the same thing now. We are talking
20 about the future.

21 Those points need to be expressed. And
22 hopefully you realize what we are talking about here.
23 What really needs to be discussed. And keep in -- keep
24 in mind, we understand the bonds need to be discussed.
25 We understand royalties need to be discussed. That's

1 all the accounting part of it all. But the real problem
2 here, the real topic of discussion is the future.
3 That's what we need to talk about. That's what we need
4 to keep in mind in the back of our minds. Thank you.

5 MR. STREATER: Thank you for that, Myron.

6 MR. REDCORN: (Speaking Native). American
7 people, you all represent what we call the long knives.
8 Osages. We called you before the heavy eyebrows. But
9 we changed the name for the new people that came. And
10 they asked us to help. And I think we addressed that
11 the last time. To help them as they purchased that land
12 and come to the Osage 200 years ago. These are the
13 stories we were told. I don't know if they teach you
14 all those in your books. But they came and you needed
15 help against New Spain, along the Rockies and all that.
16 They are coming this way. Onto the planes and could
17 attack the Americans. So, they come to the Osage to
18 help them and we did. We created a lot of enemies at
19 that time and we still hold onto what we have. We
20 agreed to you all. And that's the way we see it. We
21 are a sovereign nation. We have the ability to make
22 decisions on our own. We cherish this agreement we have
23 with the United States. The long knives people. Take
24 your directions from the President of the United States.
25 And we appreciate that. We appreciate you coming here.

1 I talked to our attorney. Mr. Rollie. Had a
2 little bit of lunch. I apologize. We were trying to
3 take care of our building, get ready for our launch
4 coming up. Those are important stuff to us. We
5 understand it's legal.

6 My name's Talee Redcorn. That's the Osage way
7 of saying that. I was voted in on this in 2006. This
8 Mineral Council. Since then, it seems like we've
9 struggled with the United States. We've had a lot of
10 disagreements. We've gone to court. And you know,
11 we're trying to live in our land. We are trying to grab
12 those resources So, we can feed our children, our
13 elders, those kind of things. So, I just want to say
14 that much. I want to say that much. And I have got
15 some questions I talked to Mr. Councilman Revard about.
16 I agree with a lot of things he's saying. It's going
17 to -- a lot of these things are going to be hurtful that
18 are proposed and we've read them. There's one thing I
19 want to concentrate on and I'll wait when it's the right
20 time to do that. But it's based on the royalty rate.
21 But other than that, Chairman.

22 MR. WILSON: Thank you, Chairman. Rollie
23 Wilson, attorney for the Osage Minerals Council. I
24 think that there are a lot of different ways that this
25 could come up. And So, this is maybe just to introduce

1 the idea again. The proposed rule as written recognizes
2 holding the mineral estate in trust for the Osage
3 Nation. But it doesn't talk about the trust
4 beneficiaries, the Osage headright owners. And the
5 Minerals Council representing those headright holders
6 sees that as a real deficiency in the proposed rule.
7 And it's not just -- we have a lot of shared interests
8 with the Osage Nation, of course, but we also have
9 different interests. And every one of the sections of
10 the proposed rule needs to be considered in light of
11 those different respective interests. Trust
12 responsibility to the Osage Nation and trust possibility
13 to the headright owner.

14 One of the way that that comes up in another
15 complicated way is to an issue that Councilman Redcorn
16 alluded to, which is the way that royalties are going to
17 be calculated. And there's Councilmen here that can
18 speak to this a lot better than I can. But I'll give
19 you sort of the summary view because that's what I'm
20 good at is summarizing things.

21 Taking it to the NYMEX rate is an artificial
22 inflation of the royalties that would be paid off of the
23 oil and gas development within the mineral estate. That
24 would be great for headright owners in the short-term.
25 We would be getting larger checks and more distributions

1 out to the headright owners. But it's an artificial
2 inflation of that royalty rate. It's not the current
3 local market price. So, it kind of comes back to a lot
4 of things we have been talking about today, which is the
5 uniqueness of the mineral estate, the need for kind of a
6 local solution, working things out locally. And that's
7 currently what happens with the highest purchase price.
8 That's the rate that we can get for selling a barrel of
9 oil. And taking it to a rate that is somewhere not from
10 around here, creates an imbalance of a balance that
11 we're trying to achieve here within the Osage Mineral
12 Estate. And it may be good for our royalty payments in
13 the short-term to the headright owners, but long-term
14 it's just another factor that we see as driving
15 producers away from the mineral estate because it's
16 going to reduce the return value.

17 MR. SUDAR: So, I would like to respond and
18 open up some dialogue. Oh, I'm sorry. This is Robert
19 Sudar. I hear what you're saying exactly. So, if I
20 understand correctly, Coffeyville and Phillips are the
21 two most prominent refineries.

22 CHAIRMAN WALLER: Holly Farms.

23 MR. SUDAR: Holly Farms. Okay. And I'm sorry
24 there's three? That's the third one. Okay. Thank you.
25 I read one of the comments that was submitted to the

1 proposed rule already. And it described the situation
2 that's, I think, a typical producer, where it says that
3 tank gets full, call the refiner, refiner sends a truck,
4 drains the tank, hauls it away to the refinery. Is
5 that -- that was what was explained in the comment and I
6 want to make sure that you guys agree that's reflective
7 of the situation.

8 And then the price that the operator's
9 receiving is kind of already inclusive of the
10 transportation cost that the refiner is having to go
11 through by sending the truck. So, the refiner is
12 spending money sending a truck and all the cost
13 associated with that, and then they are reducing the
14 price that they are paying to that operator because
15 they've incurred the cost of moving the product; right?
16 To the refinery. Whereas NYMEX price is the price in
17 Cushing, Oklahoma; right? So, that's the price at those
18 tanks in Cushing, Oklahoma. So, after reading that
19 comment, and I talked to Kristen briefly this morning
20 about this, what I would propose as a possible solution
21 to this issue would be that we could take the data that
22 was used in the economic analysis, or economic impact
23 study that was done previously. And when I looked at
24 that data, and I'm using rounded numbers just because
25 it's off the top of my head, it was about \$3.50, \$3.75

1 difference between the highest posted price compared to
2 the NYMEX price that's in the proposed rule. So, that's
3 about half a percent -- or I'm sorry. That's about
4 three out of 75. That would be -- it's about 5 percent;
5 right? Ish. And I know \$75 is not always the price of
6 oil. But I'm just throwing that out there for the sake
7 of the math.

8 What I was proposing that could be in the rule
9 is a reduction in the NYMEX price by, say, 5 percent;
10 right? That way it's capturing the cost of something
11 based on actual data because that's the difference
12 between the posted prices that have been used and the
13 NYMEX price. We are using that actual data to simulate
14 some sort of adjustment. And it's very similar to a
15 transport deduction or a transport cost somebody else is
16 incurring. And then the price would just be, you know,
17 the NYMEX price minus 5 percent or 4 percent, you know,
18 that number. And then I think it's more reflective of
19 the actual price that is being received at those tank
20 locations because the refinery's charging you, right, to
21 move your oil by giving you a lower price, and that's
22 where that difference is, I think.

23 So, would something like that, going into the
24 proposed rule, help to alleviate some of those concerns
25 about that pricing being an artificial inflation. And I

1 hear what you're saying. And after I read that comment
2 I was, like, oh, this is exactly what we're talking
3 about, I think.

4 And along those same lines, the way that we
5 calculate the natural gas index zone price, we have a
6 similar percentage deduction that we apply to those
7 published index prices. That's supposed to account for
8 transportation and other kind of things like that. So,
9 this would be more in line with the way that one's
10 already done. I think it would capture a lot of what
11 the concerns are with that price. What do you guys
12 think about that?

13 CHAIRMAN WALLER: As a member of the royalty
14 policy committee from the last administration, that was
15 the comments that we had representing all tribal
16 entities. What it was is that if that price of that
17 transportation is already taken out, then we've already
18 lost some of the royalty amount. Also on the shrink
19 loss because as a trustee, even in a spill, you have to
20 calculate what they've had because they are going to pay
21 royalty on it. You're going to pay us coming, you're
22 going to pay us going. And in that case there, that was
23 one of the comments that we had representing the
24 Minerals Council. And the other tribes they identify,
25 especially when you get into the gas, on the liquid

1 element, but on the actual natural gas, you are going to
2 pay royalty when you start using it as a booster. In
3 other words, if it's helping get your product down the
4 line, you cannot start scraping it off the top until
5 you've actually paid the royalty to the owner. And I
6 think that's the concept that I have as a Chairman is
7 that we're the owners of it. This isn't a pardon deal.
8 You didn't get invited here. But your element's a lot
9 different than anywhere else in the lower 48. And
10 that's the case I see is that that has to be somehow
11 logistical element there.

12 MR. SUDAR: There's movement. I mean, there's
13 literal movement that has to occur and somebody's paying
14 that; right? So, you want these reflected in the price.
15 And I think one of the reasons why NYMEX was selected in
16 this is because of its transparency; right? For
17 example, you guys got to just take whatever that refiner
18 is telling you their price is. You don't know what all
19 is going into that. And there's opportunity there for
20 something to potentially be included that you don't know
21 about; right? Because it's just what they are putting
22 on their website, what Coffeyville is putting on their
23 website or whatever it is. So, by using the NYMEX
24 price, it's traded by thousands and thousands of people
25 a day with competing economic interests, which are going

1 to make sure that that price is reflective of what the
2 market really wants to bear. And So, the idea was to
3 use NYMEX because of its transparency. Anybody can find
4 it at any time. It's on the NYMEX website any day of
5 the week. You can always be sure that it's -- you know,
6 it's based on those kind of normal marketing factors.

7 And So, if we use the NYMEX as a base and then
8 some sort of percentage adjustment of itself, then
9 you've eliminated a lot of black box pricing that you
10 don't want; right? So, maybe that could be something we
11 could put in a potential tweak to the regulation.

12 MR. MOUTON: Yeah. Absolutely. Chairman, the
13 point was is that when you have three major purchasers
14 and the price is based on what they are paying you, and
15 they set that price and it's only based on what's going
16 on in Osage County, you have the purchaser -- you have
17 the buyer setting the price in a very small market. And
18 by going to NYMEX you have a very large market and it's
19 a more accurate price for what more people are paying.
20 When you have a purchaser setting the price in a small
21 market, you have the potential for them to pay you
22 whatever they want.

23 MR. SUDAR: Well, even on top of that, Mitch,
24 we could even draft into the regulation that every year,
25 for example, right, we look at what would have been the

1 highest posted price because we can get Coffeyville's,
2 we can get, you know, all those different ones. We look
3 at their price compared to NYMEX and see what that
4 dollar difference is, and maybe adjust that percentage
5 differential each year as required So, that it's not
6 just what it was in 2023, but it's what it was in 2024.
7 It's what it will be in 2025 and down the road. And I
8 think language can be put in the proposed rule to
9 reflect that as well. And then it's dynamic and it's
10 changing. It's not locked into whatever it was at that
11 time.

12 MR. SIMPSON: And then for transparency
13 purposes ONRR can publish that price after the
14 deduction. On their website, just as they now publish
15 the major portion prices for the rest of Indian Country.

16 MR. REVARD: Chairman, I have a comment. Paul
17 Revard again. One thing to keep in mind is that the
18 producer, our producers, they fight to get the highest
19 price they can possibly get. They have got a bigger
20 reason to do so, than the royalty owner. On a typical
21 lease of, say, 3/16 royalty, the producer has 81 and
22 quarter percent of the net revenue. So, they have
23 almost three times the incentive to get the highest
24 price they could possibly get. I assume that they are
25 seeking that highest price.

1 It's always been, in my experience, that if we
2 accomplish publish on a daily basis the price of oil,
3 the highest posted price, and your purchaser is not
4 paying the highest posted price and another purchaser
5 did that given day, well, the producer needs to make up
6 that difference between the guy that paid the highest
7 posted versus his guy who paid a quarter less per
8 barrel. But here's what that created in 1983, 4 and 5,
9 that I remember, is that you were changing purchasers
10 every week. Like, oh my god, Suenoco paying \$22.75 and
11 you pick up the Tulsa World every morning to see what it
12 is. And it's like dang, Phillips is paying this much.
13 And I'm going to have to pay the difference to the Tribe
14 for that extra quarter. It's paperwork for one thing
15 that's just tremendous. So, you're just changing
16 purchasers back and forth. That involves division
17 orders, personnel, just a tremendous nightmare
18 paperwork-wise to change purchasers every time you turn
19 around. But for somebody in one area of the country to
20 be able to sell their oil to a certain purchaser at
21 NYMEX price, their cost to go pick up a barrel of oil in
22 one area is different than another area. Could be
23 weather conditions, mountainous conditions, terrain. It
24 could be labor market that may be good in one area.
25 Could be fuel costs.

1 I'll give you an example of somebody who I
2 talked to recently just changed purchaser for this
3 reason. They don't produce -- these -- here again, we
4 are unique. And our people that produce in our mineral
5 estate are small producers. And this is how small.
6 They need -- they need to sell some oil every month.
7 They got bills to pay. They got to pay their electric
8 bill. They got to pay their pumper or the pumper's not
9 going to keep those wells going. Well, some of these
10 operations don't sell a tank of oil every month. So,
11 some -- So, what they'll do, if they get close to a
12 bobtail, and I think by state law the Department of
13 Transportation limits how many barrels you can carry,
14 depending on the size and weight of your truck. But we
15 are talking 60 to 80 barrels, typically about 65 barrels
16 for a bobtail versus a transport that will haul out, you
17 know, 160 barrels, 180 maximum. Well, not all of your
18 purchasers can justify sending out a bobtail. You got a
19 truck driver going to the same spot to go pick up a tank
20 of oil that his bobtail can only hold X amount of
21 barrels, and they are making a certain amount of profit
22 on each barrel, versus sending out a transportation
23 where I could send the same truck driver to go pick up a
24 full tank verses a half a tank. So, there's not all --
25 most of our purchasers don't have bobtails because it's

1 not economical for them. One company does So, everybody
2 that's got small production that needs to sell that
3 short load, is what we call it, has to go to that one
4 purchaser. But we have a market in Osage County that we
5 have some competition. And it would be nice to have
6 more. But we have some competition among the
7 purchasers. If one was So, far out of whack than the
8 other, everybody would switch to the one that's paying
9 the most. So, that's kind of built in natural. The
10 producers want every bit of oil -- price for their oil
11 they could possibly get. And just because somebody in
12 Kentucky is getting a different price is really not an
13 option for us because we can only get fair market price
14 for our area. Fair market price. So, I don't know how
15 to reconcile. For to you compensate this 5 percent,
16 well it's not really 5 percent. I mean, that's close
17 probably. But one month it will be one, other month it
18 will be another. Just seems like a lot of paperwork to
19 try to keep up. It won't always be 5 percent. You need
20 to change that percentage every month.

21 MR. SUDAR: You're absolutely right. And the
22 variability in all of the -- of the, you know, path to
23 market, if you will, is exactly why I think the best
24 thing to do would be to use the posting prices of those
25 three most commonly used refineries that service Osage

1 County currently, use their posted prices. And
2 identify, okay, their prices are, you know, X percent
3 less than NYMEX, which is not that far away from this
4 part of the state. I mean, that price is derived in
5 Cushing, Oklahoma. It's not somewhere else. So, as far
6 as the cost of transporting, it's really -- those
7 refiners could buy their barrels from Cushing; right?
8 And they are not doing it. They are buying it from
9 Osage County. And so, their difference in cost between
10 buying them in Cushing and buying them here in Osage
11 County is their burden of coming to pick it up or
12 whatever it may be.

13 So, that's why I'm thinking if we can use the
14 prices that they're publishing, compare to a NYMEX, then
15 you've got a good adjustment to make against the NYMEX
16 that really is reflective of the Osage County prices.

17 MR. REVARD: I'll tell you what's reflective
18 of the Osage County prices, it's the five counties that
19 adjoin us. It's Pawnee County. It's Chautauqua County
20 to the north. It's Kay County. It's Tulsa County.
21 That's the area that we have to be competing with. We
22 are in competition with capital dollars. And for
23 somebody to spend their dollars, we want them to spend
24 them in our back yard.

25 MS. SIMPSON: And for all of the Indian oil

1 that is coming out of those counties, the royalty rate
2 that's being -- that ONRR uses for it is NYMEX with no
3 adjustment, without the adjustment that Robert's talking
4 about. They are using NYMEX.

5 MR. REVARD: What percentage of oil is Indian
6 oil?

7 MR. SIMPSON: In Oklahoma?

8 MR. REVARD: Let's just talk about us. I want
9 to talk keep talking about us. The other five counties
10 that surround us, two in Kansas and three outside of
11 Kansas in Oklahoma --

12 MR. MOUTON: You don't count Payne County
13 because that's where Cushing is. It's just on the other
14 side of Pawnee.

15 MR. REVARD: Close enough. We are talking
16 fair market. And what percentage of BLM or BIA oil does
17 these other areas make up, the percentage? We are 100
18 percent here.

19 MR. SUDAR: Right. I'm sure. And maybe the
20 PET could weigh in. But I would say the majority of oil
21 produced in Oklahoma is on Indian land somewhere and
22 it's using a NYMEX-based price for their royalty
23 calculation.

24 MR. REVARD: I disagree with that.

25 MS. KOKINOS: But also, the issue with highest

1 posted price isn't necessarily that the producers aren't
2 doing what they can to get the highest price. Obviously
3 they want to make the most money. You want to get the
4 highest royalties. The issue is that because it is So,
5 purchaser centric they can manipulate it. The
6 purchasers can manipulate the pricing and So, that hurts
7 the Tribe and it hurts --

8 MR. REVARD: Are there federal rules and laws
9 for collusion and that kind of thing? And to Rollie's
10 point, Mr. Wilson's point, what might be good for our
11 headright owners in the short-term could be really
12 damaging in the long-term. We want this to be friendly
13 place. We are in competition with the other counties
14 surrounding us. We want to be competitive. And at the
15 same time we want the highest price and we want a good
16 fair market price.

17 MR. SUDAR: I absolutely understand that and I
18 hear what Rollie was saying. He said it's an artificial
19 inflation with NYMEX.

20 MR. REVARD: It is.

21 MR. SUDAR: And that's why I think, you know,
22 a solution could be an adjustment to that price, but one
23 that's based on transparent data that anybody can look
24 at and anybody can find that wants to check it, as
25 opposed to something that we don't know why one of the

1 refineries changes their price to whatever it is because
2 they don't publish that information out to the public.
3 It could be that they want to take giant company golf
4 trip somewhere and they are going to charge you more
5 that month. We don't know that. But if they were doing
6 that, we don't want that to be part of your guys'
7 royalty.

8 MR. REVARD: So, you are going to put in place
9 a 5 percent --

10 MR. SUDAR: Reduction to NYMEX.

11 MR. REVARD: Okay. How often are you going to
12 adjust that? Are you going to adjust that every month?
13 It may be 4.75 one month, it may be 5 and a quarter the
14 next month.

15 MR. SUDAR: So, we could. But what I
16 recommended was doing it once a year. But I mean,
17 theoretically you could do it more often. You know,
18 that's part of this whole consultation, is let's talk
19 what's reasonable.

20 MR. REVARD: Just logistically wise, I
21 think -- I think overall, even though we might be able
22 to get a nickel here or there, I think overall, the
23 implementation of that proposal that you just laid out,
24 I think, is detrimental to us in the long run. It's
25 just -- it's just more burdensome for us. It's more

1 burdensome for you all to keep track of this and adjust
2 that rate. I would say you need to do it at least once
3 a month. It's just a nightmare. And it's just one more
4 thing that it's doing to us that is harmful.

5 I think it would be harmful, you're trying to
6 get us to -- you're thinking we might be taken advantage
7 of for a nickel here or a nickel there. But we're just
8 getting what the going rate is on the other five
9 counties around us. If they lie and gotten together and
10 set the price, I'm sure that's happened to some degree,
11 even if it's not spoken or written, I bet it's
12 understood. It's just odd to me that back in the
13 mid-80's when we were doing this dime here and a dime
14 there and everybody's switching purchasers, it sure was
15 odd that they were all that close to each other's price.
16 I was like, well, it's your turn this month. It's my
17 turn next month. I don't know how they did that
18 legally. But it's manipulative, I'm sure. But I've got
19 a feeling that our producers are trying to get the
20 highest price they could possibly get. And if you could
21 help them do that, well then I think that would be
22 great.

23 MR. SUDAR: I absolutely agree that they are
24 trying to get the highest price possible. And to be
25 totally honest, if NYMEX becomes the basis of the

1 royalty calculation, then it's more pressure on those
2 refineries to make sure that their prices are closer to
3 NYMEX because they've got something that they can
4 compare it against every single month now; right? So,
5 yeah, I think it actually could help increase or ensure
6 that that's a price that you're getting as a producer
7 that's closer to NYMEX.

8 MR. REVARD: Well, I just think it's going to
9 be just one more reason not to produce in Osage County
10 because it's just too burdensome.

11 CHAIRMAN WALLER: Chairman, I want to go right
12 back to what you're looking at. Will ONRR be also
13 looking at this barrel once we have adjusted or
14 nonadjusted to NYMEX? Do you follow it all the way to
15 the refinery to see what the purchase amount was there?

16 MR. SUDAR: So, if we do what I was talking
17 about, we would continue to look at the purchaser price
18 that they are publishing for their barrels. So, we
19 would look at what they are still charge, you know, on
20 their websites that they post every day and do that
21 comparison, yeah. And that's part of what was I was
22 saying we could use to make adjustments to that, to that
23 deduction.

24 MR. SIMPSON: And remember that as we were
25 saying, ONRR already does the same kind of work all

1 across Indian Country and all across the federal land.
2 So, it is no burden on ONRR and they know what they are
3 doing with this.

4 MR. REDCORN: Talee Redcorn. I think we've
5 got more guys in the field in Indian Country than the
6 rest of Oklahoma through the BLM. I don't think we have
7 got very many BLM Indian field people. So, I don't
8 think we can make that comparison. We've got a lot more
9 activity than Indian Country in Oklahoma. So, I mean,
10 they are stuck with what they go to do. And God bless
11 them. But I think we are still fighting for -- as
12 Mr. Revard's saying, we want something that's
13 competitive right next door or we are going to get
14 overlooked. About 40 or more percent of our producers
15 are local people and they are driving hard to find that
16 dollar.

17 MR. SUDAR: I would say, going back to what
18 Mr. Revard was saying, like, if I'm coming in and I want
19 to invest in Osage County; right? And I want to buy
20 that 28-well lease, or three lease set that we were
21 talking about earlier. If I know my royalty is tied to
22 NYMEX, then that's transparent, it's clear. And I can
23 hedge against it. And I can make all sorts of financial
24 business planning for it. If my price for royalties is
25 tied to a refinery that is its own private entity that I

1 can't negotiate with basically, then I'm more interested
2 in investing in something that has a transparent price
3 for the royalty calculation because it's a clear, easy
4 thing that I know and that I can plan and hedge for.

5 CHAIRMAN WALLER: And that is Chairman Waller.
6 Your division order will be reflecting that. That's how
7 the sale is made anyway. So, we also have a good
8 feeling about that, if that's the case.

9 My other thought is that you're already going
10 to have to do the calculation on whether it's a 3/16 a
11 barrel or 20 percent. And I do see the element there.
12 But it still comes down to what you got per barrel.
13 Just personally I think that the Council's already put
14 out too. There probably won't be any of those unless
15 they are grandfathered in the on those lower of the
16 royalty in which we get. I don't think I want to hand
17 over that option to the future for the children. I
18 think it just -- it has to be very basic. I do like the
19 template though of a division order. Because last time
20 I looked at the contract for the Emirates that I have in
21 my briefcase, it's broke down to the millimeter of the
22 pricing. And they know everything. They know how much
23 they got. They know how much they were taking from
24 them. And then they also know what the refinery has.

25 MR. REVARD: I have another real life

1 scenario. And that is the proximity in the grow
2 conditions of our mineral estate is such that here's a
3 scenario. Just we have refineries in Tulsa, Oklahoma
4 right on the Osage County line. And we have a refinery
5 that was Sunray DX that's now Holly Frontier. So, for
6 them to want the buy barrels just north of downtown
7 Tulsa in Osage County, it's one thing for them to send
8 the truck up there and bring it into their refinery
9 right at their back door.

10 But then here's another scenario. If you're
11 in Pawhuska, Oklahoma you got a well at, say, 27 N 9 E,
12 maybe around Section 16. You leave Pawhuska going
13 north, turns into a gravel road right away. And you
14 look off to your northeast and there it is. You can see
15 some wells down in there. But to get to those wells,
16 you go straight north almost to the Kansas line. And
17 about the place you get to Cheque and Burnam Cowboy
18 Bunkhouse, then you'll be at a peak like a peninsula,
19 then you're coming back down. When you leave Pawhuska,
20 within five minutes, you're closer to that well than you
21 are half hour later. And then you come all the way up
22 there and all the way back down and then you finally get
23 to that tank where that oil is. Well, in salt gravel
24 road 40 miles. I'm familiar with that area. And you
25 got to watch out for Buffalo too on the road at night.

1 But to go pick up that barrel of oil is a lot different
2 than Holly trying to cherry pick one out the back door.
3 So, how does --

4 MR. SUDAR: So, let me ask you a question
5 about the situation you just described. Do they charge
6 you a different rate to pick that barrel up off the
7 gravel road versus the one that's closer to the Holly
8 Frontier?

9 MR. REVARD: Yes.

10 MR. SUDAR: Okay. Where is that rate posted?

11 MR. REVARD: I don't know that it is. It's
12 just something that you work out. When you're entering
13 into an agreement with your purchaser, usually the
14 agreement is the division order that Chairman Waller
15 just mentioned. So, that's a document that you
16 negotiate a price with.

17 MR. SUDAR: Yes. That's exactly right.
18 That's what we want to reflect in this price is those
19 kind of negotiated things. So, if there's other
20 details, there's other transportation agreements that
21 occur in the county that we could include into some
22 deduction on NYMEX, that's more reflective of those
23 situations, that's the data that we can use. Like, see
24 what I'm saying, we do that every month already. For a
25 lot of us in Indian Country, we are looking at all the

1 transportation and costs that were reported to ONRR. My
2 team does this monthly. And we can do it here too if we
3 have that -- if we have that information, or if there's
4 some representative value that you think it's, you
5 know -- when I -- when I have the dirt road properties,
6 it's always an extra 3 percent or it's always an extra
7 six bucks, or whatever. Well, we can build that in to
8 this calculation. I absolutely believe that.

9 MR. REVARD: Well, right now fair market would
10 be in the scenario that Chairman mentioned earlier.
11 Coffeyville might pay one price if Conoco Phillips would
12 pay higher price and consistently doing that, they are
13 changing purchasers. They are going to the one that's
14 paying the higher consistently.

15 One guy halfway up that gravel road I'm
16 talking about might be getting one price. If that truck
17 driver has to go all the way around and back down to
18 there, he may get a different price.

19 And here's another scenario. When these
20 producers negotiate these prices with the purchaser, who
21 is looking at the best interest of the owner's well,
22 because they've got three times the vested interest to
23 get this higher price than the royalty owners or
24 headright owners. So, they want and fight for the
25 highest price they can possibly get.

1 So, here's what affects the price of oil that
2 a producer gets, is the volume. It's one thing for a
3 producer who has got a lease that he sells one tank a
4 month versus somebody that sells 30 tanks a month, one
5 of our bigger producers. That guy is going to have more
6 negotiating power because of his volume of barrels. How
7 does NYMEX take that into consideration, a two barrel a
8 day lease versus 150 a day lease?

9 MR. SUDAR: Let me ask you. In that situation
10 that you were describing, where I got to take a dirt
11 road to a more remote lease to empty a tank. Royalties
12 are still calculated based on the highest posted price
13 that month; correct? Whether that guy got them or not;
14 right? Wouldn't you rather the royalties be calculated
15 on something that was transparent?

16 MR. REVARD: Not if our producers have to pay
17 more for royalty barrels than they get for their own
18 barrels. Because in the short term, like our counsel
19 mentioned, it would be good for our headright owners in
20 the short term. But in the long term, they will be
21 gone. We won't have those producers. They will go
22 somewhere else.

23 MR. SUDAR: It would seem to me that, you
24 know, we keep saying that the producers are going to
25 be -- they are looking for the most. Of course they are

1 looking for the most. But because the shareholders'
2 interest is smaller, they're -- percentage-wise they're
3 impacted way greater than the producer.

4 CHIEF STANDING BEAR: Three times as much.

5 MR. SUDAR: Right. Monetarily it's not as
6 much, but percentage it's way more than they are
7 impacted.

8 MS. KOKINOS: But also what Robert is
9 proposing is an adjustment that would help account for
10 those differences that those operators would be
11 experiencing. So, it would be to insure that NYMEX is
12 being adjusted So, it does account for the unique Osage
13 County factors that impact throes operators.

14 MR. SUDAR: Right. We are talking about
15 compensation between the highest posted prices, arguably
16 competition between three refineries; right? NYMEX is
17 competition between thousands and thousands of oil
18 traders for similar crude. And if we can adjust the
19 NYMEX price to make it more reflective of what comes out
20 of Osage County, I think that's a better market price.

21 MR. REVARD: Our market price is really what
22 we need to consider is competition. Councilman Redcorn
23 just said it. He acknowledged that competition, we are
24 competing for a producer with a certain limited amount
25 of capital to spend their capital dollars on mineral

1 estate versus next door. So, if the guy next door is on
2 fee land, not Indian land, and they could drill there or
3 they could drill on us and have to deal with all this
4 other stuff, they are going to -- they are going to stay
5 over there and not come over to our side of the fence.
6 And that's the point I'm making.

7 This is really -- this is really over my head.
8 I'm not an expert in this market. And so, I'm talking a
9 lot, but I'm familiar with it. And so, I'm just
10 throwing out some things. I'm not in the position in
11 having the knowledge to debate this. But it sounds like
12 I am but I'm not because I don't know that much about
13 the subject to be talking as much as I'm talking. But
14 I do know Councilman Redcorn came in late today. And
15 one thing in particular he does want to talk about is
16 royalty. And I think maybe we could move on. This
17 isn't my meeting. But I would like to at least maybe
18 transition to something that I do know Councilman
19 Redcorn wanted to talk about. And it's the Mineral
20 Council's ability to negotiate royalty. And with that,
21 I would like to see if Chairman Waller might want to --

22 MR. STREATER: Certainly Paul. When Talee
23 comes back in or do you want to take a stab at it
24 Chairman?

25 CHAIRMAN WALLER: I understand what Councilman

1 Redcorn's going to bring you. But your effort there,
2 that division order is going to take care of all of
3 this. Even when they are talking about the royalty
4 itself. That is already prescribed in the producer who
5 signed that lease. And I think that reflection is going
6 to be -- that's exactly the baseline. As far as this
7 other one, when I worked for Bureau of Indian Affairs,
8 that's what we went and looked at. At that time it was
9 a little more wild west about you literally went and saw
10 who was going to pay you the most. Remember, we used to
11 have it all through the pipelines. Both pipeline. But
12 they figured out that it was cheaper for the trucks and
13 now it's come back to haunt them because of the cost of
14 diesel, the truck, the effort, and the mileage eat them
15 up. And that's what I'm thinking.

16 But let's just wait on Talee, Councilman, and
17 see what Mr. Redcorn says on that. But my thought is
18 that there's no problem out there that really is
19 impeding us, other than this producer has to take this
20 amount. You and I both know even at -- when I sit at
21 the table next to Pat Noah for Phillips Petroleum. He's
22 number three in line. I think he's two in line now.
23 And we had the same discussion. So, I want you all to
24 feel good about yourselves. Every once in a while when
25 you get home, you're thinking, oh, by god, you know, I

1 beat a dead horse today. Don't worry about that. We
2 all do. But he ain't getting up. So, you know we are
3 going to have to get another horse. That's what I think
4 we need to do.

5 MR. REVARD: While we are waiting on
6 councilman to come back, can we talk with the gas
7 royalty?

8 CHAIRMAN WALLER: I think Talee.

9 MR. REVARD: That's another thing about gas is
10 that we have a captured market for gas. We have pipe in
11 the ground, physical pipe, and usually our producers
12 only have one option to sell their gas. It's to whoever
13 has got the line closest to them. The line's five miles
14 from there, the next competition, that's too far to
15 transport natural gas in the volume that we have in our
16 typical gas wells. So, we have -- there's a captured
17 market where our gas purchasers pretty much dictate the
18 price of our natural gas. What is your all's thought
19 about royalty in NYMEX for natural gas?

20 MR. SUDAR: So, for natural gas, the proposed
21 rule references what we call Index Zone One, which is
22 the State of Oklahoma is broken up into three zones.
23 And those three zones are along county lines. I have a
24 map I could bring up later. But suffice it to say Zone
25 One is kind of the northern east-ish part of Oklahoma.

1 Zone Two is lower, and Zone Three is over by the
2 panhandle; right? Zone One actually surrounds Osage
3 County currently. So, all the counties around Osage are
4 in what we would call Index Zone One and Index Zone One
5 and the other index zones, they use multiple natural gas
6 pricing index points from around the State of Oklahoma,
7 and the average them together, and they apply a 10
8 percent reduction to that price. And then that's the
9 price that royalties are calculated on. Those index
10 points are defined in the Federal Register. They are
11 from two different competing publications. One is
12 Platts inside first of month publication, and the other
13 one is from Natural Gas Intelligence daily the
14 publication. They use the first of month prices in
15 those calculations. And then those get calculated by my
16 team every month. And we publish those on to the
17 website for anybody to use that needs to calculate the
18 royalties based on that.

19 So, it uses -- if I recall, Zone One uses four
20 different index points actually in and around this area
21 because they are -- I mean, there's a lot of natural gas
22 infrastructure in the State of Oklahoma. And you were
23 talking about captive pipeline. You've got one pipeline
24 that you're going to get on and it's going to take to
25 wherever. It's probably going to go to one of those

1 index points because that's an accumulation point to get
2 to greater markets or wherever it needs to go thereon
3 afterwards.

4 So, that's the current proposal, what it
5 recommends. It would mirror -- it would mirror the
6 counties in and around immediately around Osage County.

7 MR. REVARD: What if our purchaser doesn't
8 want to pay that price and they don't offer that price?
9 They say, this is what we will pay, we'll pay this much,
10 it's based on volume. If you have 30 MCF that day you
11 might get one price. If you've got 150 MCF a day, you
12 get a different percentage of the resale.

13 MR. SUDAR: So, what would happen right now if
14 an operator for oil doesn't want to pay the highest
15 posted price, what would happen to them then? I don't.
16 I'm genuinely asking. Like, if an operator was trying
17 to pay their oil royalties and they don't want to pay
18 the highest posted price because they didn't get that
19 price, what would happen to them? They would have some
20 sort of penalty or something?

21 MR. REVARD: Yeah. There used to be -- Bureau
22 of Indian Affairs used to send out a statement.

23 MR. SUDAR: So, that would probably be a very
24 similar situation. If they didn't want to pay the
25 natural gas price, then they would probably get some

1 sort of penalty.

2 MR. REVARD: No. No. The producer would not
3 sell it. The producer would not sell their gas. If the
4 producer --

5 MR. SUDAR: Are they declaring it?

6 MR. REVARD: If a producer had to pay more
7 money than they receive for the gas, they would quit
8 selling their gas. They wouldn't get it. They would
9 just not produce it. They would shut it in. They would
10 go somewhere. They would go next door to Pawnee County,
11 Kay County.

12 MR. Sudar: So, the price that that producer
13 is getting in a captive gas system --

14 MR. REVARD: Just whatever you can get.

15 MR. SUDAR: Right. And that's going through a
16 pipe; right? This isn't a truck. This is going into a
17 pipe. It's going into a gathering system, which is then
18 getting into some sort of larger main line or something
19 like that. You've got fractions of a penny that are
20 being taken by each person along the way; right?

21 Because I own this pipe. I'm going to charge you a
22 penny. I own this pipe. Next pipe I'm going to charge
23 two more cents or whatever it is. The index zone price
24 right now, I think for last month, was \$4.51 for the
25 natural gas. I would, you know, bet probably not the

1 house, but a good chunk of money that they are getting
2 something north of a few dollars still. So, if they are
3 paying that royalty rate based on \$4.51 gas, they still
4 have plenty of other value in the other 70 -- I think
5 you said earlier it was like 76 percent of ownership.

6 MR. REVARD: I'm just saying that the producer
7 is not going to pay more for the royalty MCS than they
8 do -- than they receive from the purchaser. It's a
9 captured market. All they are going to get is what the
10 purchaser's willing to pay. And if that's not
11 acceptable to the purchaser to accept that, then they
12 just won't produce --

13 MR. SUDAR: I never have --

14 MR. REVARD: I would like to yield to
15 Councilman Redcorn. He's back. And So, he had -- he
16 would like visit with you about the ability and
17 flexibility of the Mineral Council having some
18 flexibility on setting our own royalty rates. And with
19 that, I'll yield back to Councilman Redcorn.

20 MR. REDCORN: Thank you, Councilman Revard.
21 Just coming in this afternoon. I apologize again. But
22 I talked to our attorney and wanted to address this one
23 specific issue. Something I'm very heavily involved in
24 for the last few years, and that's enhanced recovery
25 using different methods of technologies to try to get

1 additional oil out of the ground. I have told -- we
2 have -- I told our attorney we have one referendum vote
3 in the history of the Osage to my knowledge. In 1949
4 the whole tribe, by vote, lowered your royalties to 1/8.
5 With that became a big surge in water flood activity.

6 So, if you look in the 20's you see a peak of
7 our primary production. And '49, in that time period,
8 we see another peak of oil production. Is that the
9 right move or not? I don't know. I think it is. But
10 we have to lean on what the -- all the Osages that voted
11 that day to lower it to 1/8. And I would like to
12 protect that for us. To look at different technologies,
13 improved technologies, enhanced technologies to get
14 additional oil out of the ground. I think we are headed
15 for another peak. But if you don't give us that
16 leverage, you're going to kill it. We will not see a
17 big peak.

18 We've had some engineering studies done
19 showing substantial amount of recovery using CO2. We've
20 had communications with the University of Kansas, the
21 TORP, Tertiary Oil Recovery Program, up there. We've
22 had communications with the University of Tulsa. Some
23 of these others talking about potential of enhanced oil
24 recovery in the Osage.

25 So, that's my request to the United States to

1 the Bureau of Indian Affairs, to whomever is going to
2 make these rules and we have to live by. Please give us
3 that ability to seek out that additional, that improved
4 technology, that enhanced technology So, we can develop
5 our resources and try to hit our next peak, which I
6 think will happen if we have that ability.

7 MR. STREATER: Well, you know the proposed
8 rule, and the current rule as written, has the same
9 royalty rate. So, what are -- what's the proposal? Get
10 the Minerals Council flexibility to go under that floor?

11 MR. REDCORN: What is the floor, sir?

12 MS. KOKINOS: 16 and 2/3. Under your current
13 regs as well as the proposed rule, the floor is 16 and
14 2/3. But under the proposed rule, you can negotiate a
15 lower royalty rate based on various factors. You would
16 just have to present it to the BIA. And as long as they
17 thought it was still in the best interest of the Tribe
18 to take that lower royalty rate, it would be approved.

19 MR. REVARD: So, under the 16 percent.

20 MS. KOKINOS: If you wanted to accept less
21 than 16 and 2/3 royalty because of a deal or some other
22 negotiation that you have, and you could provide that
23 information to the BIA to consider, they could approve
24 that and you could do that.

25 MR. STREATER: And it's very possible the

1 situation as you were talking, a good factor would be,
2 you know, you had this enhanced recovery. And to get
3 them in. I think that would be a very good cornerstone
4 of making that request.

5 MS. KOKINOS: Yeah. Then you just submit the
6 request with a resolution and the BIA can approve it.

7 MR. REDCORN: What would happen if the BIA
8 doesn't see the value that we're presenting?

9 MS. KOKINOS: Ultimately if you were to submit
10 the request and the BIA were to decline the request, it
11 would be subject to appeal. You could appeal it.

12 MR. REDCORN: Okay. To me, we've had a
13 referendum vote. The only one I know of. And the
14 Osages chose 1/8. So, it gives us the ability to --
15 that was strictly on water-flooding issues.

16 So, if we have that ability, I just want to
17 make this comment here. I want that ability to we
18 decide the values as the Osages as a sovereign entity.
19 Not we have to convince the United States that it's a
20 good deal.

21 You know, we talked the last time, I'm
22 thinking maybe what's good for the Osages might not be
23 good for all the United States. We are producing a lot
24 of oil in Osage. And you're not only looking out for
25 us, you're looking out for our neighbors too.

1 MS. KOKINOS: No. Not in this case. In this
2 case these regs are specific to Osage. And as the
3 trustee, we have an obligation to make sure that you're
4 getting what you're owed both in royalty and in
5 settlement value. The royalty rate floor is to make
6 sure that you're getting a good royalty rate.

7 MR. REDCORN: Just like some of the other
8 things we are talking about, we could lock out a
9 tremendous amount of recovery. We are predicting 93
10 million barrels of CO2. That's \$10 billion.

11 MR. STREATER: In the current regulations as
12 do the proposed regulations gives you that option with a
13 resolution to --

14 MS. KOKINOS: To seek a lower rate. If the
15 Minerals Council were to determine --

16 MR. REDCORN: What if you don't agree with it?
17 The United States doesn't agree?

18 MS. KOKINOS: As long as there's a rational
19 reasoned basis for the support, I don't know why there
20 wouldn't be agreement, unless it was hugely detrimental.
21 But what you're doing is entering into agreements where
22 you're getting new investment into the mineral estate.
23 And you can show that the reason for that reduced rate
24 is to attract investments, to get someone to come in.
25 And there's going to be a major return on that. How

1 would there be a "no"?

2 MR. REDCORN: Well, I'm talking to a company
3 and I say, we can guarantee you 16 and something. We'll
4 have to wait until we can get you the 1/8. That's --
5 we're looking for opportunity continually, but if we
6 don't have that ability --

7 MR. STREATER: A resolution could be two
8 weeks.

9 MS. KOKINOS: But you also don't have to do it
10 by operator or by investor. If the Minerals Council
11 wanted to do a blanket resolution, like you have a
12 blanket resolution now that sets the royalty at 20
13 percent. If you knew that you were going to be offering
14 the same type of deal to a group of investors under the
15 same circumstances and you wanted to set that always at
16 a lower rate, you could do the same thing. Have blanket
17 resolution that's submitted for approval ahead of time
18 and then you would know exactly what you can give these
19 people when you negotiate if you wanted it to be solid
20 across the board.

21 MR. REDCORN: We increased the royalty to 20
22 percent, but we had a whole different atmosphere then.
23 We had 80 to 90 leases applications a month. About 900
24 a year. We are down to three a year now. So, this
25 balancing act between us and the United States has

1 tremendously killed our opportunity in the Osage.

2 MR. STREATER: The 20 percent, that wasn't --
3 that wasn't set by us, it was set by the Minerals
4 Council.

5 MR. REDCORN: Yes. I was on the Minerals
6 Council.

7 MR. STREATER: We can certainly rescind that
8 as well if it's something you want.

9 MR. REDCORN: Like I said, we did it in a
10 whole different atmosphere. We went back to auctions.
11 We just -- we thought -- you know, and when our first
12 auction came, we cleared one and a half million dollars
13 in bonuses. We can't do that any more. I mean, things
14 are just totally different today.

15 MS. KOKINOS: If the 20 percent royalty rate
16 that was set by resolution as the required royalty for
17 leases is no longer what you want to, do. You want to
18 go back to the 16 and 2/3 that is the floor.

19 MR. REDCORN: I'm asking, give us the ability
20 to set the royalty on our end. That we can look for
21 those opportunities.

22 MS. KOKINOS: You can. There has to be a
23 floor in the regs. But that doesn't mean that you are
24 stuck at the floor or above it or below it.

25 MR. REDCORN: For primary production I would

1 agree. If you want to go to the bottom, and we talked
2 about that at lunch. But, you know, we're talking maybe
3 more of a concession type of agreement when you start
4 throwing a lot of hardware capital on the ground. And
5 then that ability to go with the royalties we need to
6 keep this thing afloat.

7 MS. KOKINOS: And these regs will allow you to
8 do that.

9 MR. REDCORN: But you're telling me we can't
10 get that, we have to get an approve from the BIA.

11 MS. KOKINOS: Right. Because the Mineral
12 Estate is held in trust. So, we just have the
13 obligation to ensure the royalty rate is sufficient to
14 get you what you're owed.

15 MR. REDCORN: I would like that ability in the
16 regulations.

17 MR. SIMPSON: And remember that, you know,
18 what the BIA's looking at here is not the best interest
19 of the United States. It is not the best interest --
20 no, it's not. It's not the best interest of the rest of
21 Indian Country. It is the best interest of, as the
22 Chief put it earlier, of the Osage Nation, and of the
23 Osage headright owners. That's who it is.

24 MR. REDCORN: I mean, you could --

25 MR. SIMPSON: You can do a blanket resolution

1 that just covers it for those particular kinds of leases
2 that you want to do this.

3 MS. KOKINOS: But the highest royalty rate
4 also -- in our mind, it's not just that the highest
5 royalty rate is what is always in the best interest of
6 shareholders; right? If you're trying to attract new
7 investment, and a lower royalty rate is what gets you
8 there, that would be in the best interests of the Tribe
9 and the shareholders. So, there's no "lockout."

10 MR. REDCORN: Yeah. I want to address your
11 comment. What could be good for the Osage might not be
12 good for the Pawnee or joining tribes.

13 MR. SIMPSON: That's right.

14 MR. REDCORN: But you're looking out for all
15 of them. That's my questions.

16 MR. SIMPSON: No. Not on this. As you point
17 out.

18 MR. REDCORN: Or even the United States, I
19 hear from the federal government that they are trying to
20 shut down production. And that's not good for the
21 Osage. We had that discussion the last time.

22 MR. SIMPSON: As you point out and as the
23 Chief pointed out, the United States owns the mineral
24 estate in trust for the Osage Nation. That means that
25 the Osage Nation and the shareholders are the

1 beneficiaries of that trust. Guard that trust. Our job
2 is to look out for the best long-term interest of our
3 beneficiaries of that trust. Not some other trust, not
4 the United State as a whole.

5 MR. REDCORN: You just said that you own it.

6 MR. SIMPSON: I did. And it's true.

7 MR. RED EAGLE: This is Councilman Red Eagle.

8 MR. REDCORN: We bought and paid for this
9 reservation.

10 MR. RED EAGLE: I think what he's getting at,
11 from what I understand what he's saying is that all the
12 business that we had before 20 percent, he wants it
13 back. We go into the --

14 MR. SIMPSON: So, do we.

15 MR. RED EAGLE: Yeah. That's the best
16 interest. But what about those operators and those
17 leaseholders that have been here in 1940's, 1950's,
18 1960's? Isn't there a contract they have to abide by
19 that particular royalty rate? They have to stick to
20 that; right?

21 MS. KOKINOS: Yes. The regulations cannot
22 change the royalty rate in your lease. So, regardless
23 there's no change to the royalty rates in anyone's
24 current leases. You know, if you want to set different
25 royalty rates going forward, that's fine. But

1 everyone's royalty rate, as it is right now, stays where
2 it is. The regulations can never change the royalty
3 rate just by regulation.

4 MR. REDCORN: Follow-up question. I don't
5 know when we conveyed ownership of that res to the
6 United States. I don't know when that happened.

7 MR. SIMPSON: 1906.

8 MR. REDCORN: I think also he's talking about,
9 you know, the future, just like I was talking about
10 earlier. That's what he's referring to in the future.
11 From every lease from here on out, if we make a
12 resolution, that it's 1/8, would the United States
13 Government abide with that if we make a resolution to do
14 that? Is that correct?

15 MS. KOKINOS: To take every down to -- take
16 every lease down to 12 and a half percent? If in the
17 future you wanted all leases to be at a 12.5 percent
18 royalty rate, which is below the 16 and 2/3, you could
19 do that on a lease-by-lease basis and submit the request
20 for approval at the lower rate with the lease. Or if
21 you want the floor in the regs to go down to 12 and a
22 half percent, put that in your written feedback on the
23 rule So, we can consider it.

24 MR. REDCORN: I would like to do that but it
25 doesn't sound very promising from what I'm hearing here.

1 And I think what you're saying is not totally correct
2 what I'm saying. We've already agreed on primary
3 production. The ability to go down to 16 and the other
4 percent you mentioned. That discussion is happening is
5 what I'm hearing.

6 MS. KOKINOS: 16 and 2/3 is the floor in your
7 current regs, is the floor for all leases, for both oil,
8 gas, and oil and gas. The least you can do is 16 and
9 2/3.

10 MR. REDCORN: With the new technologies it's
11 not going to be a standard lease. It's going to be like
12 our concessions. We will have to have that ability to
13 go in and start negotiation then, and the ability to
14 move royalties based on how much hardware, how much
15 additional effort they are going to have to go to the --
16 out there on the ground to --

17 MS. KOKINOS: Right. And that will still be
18 an option just like it was for the concessions.

19 MR. STREATER: I think, Talee, what they are
20 saying and feels like maybe there's vying back and forth
21 here. If you wanted to write like a blanket resolution
22 that all EOR leases get a 12 and a half percent rate,
23 then the Council can do that, and then any subsequent
24 EOR lease gets a 12 and a half percent rate. That's
25 already in the regulations to allow you to do that. And

1 it would be in these new proposed regulations also. So,
2 if the Council wants to say EOR leases can get 12 and a
3 half percent rate, you already can do that. And you've
4 just got to put together a resolution and have them sign
5 off on it.

6 MR. REDCORN: I guess I would say the ability
7 to move it to one end. That's my request. That way if
8 it's beneficial to move it above that for Osage, we have
9 the ability through our sovereignty.

10 MR. STREATER: It sounds like you already have
11 it under the current regs and you will continue to have
12 under the proposed reg.

13 MR. REVARD: I would like to add, Councilman
14 Redcorn and I and our counsel talked today at lunch with
15 Myron. Is the flexibility to maybe have concession like
16 he mentioned, or, you know, some of the other tribes
17 have entered into different agreements. Some of them
18 call them energy development agreements. We have
19 concessions on our mineral estate. But we might want to
20 negotiate with a particular group of people or entity
21 that would make a proposal for an EOR, tertiary type,
22 exotic -- more exotic advanced technological operation.
23 Flexibility to have a lesser royalty rate at the
24 beginning of the development that maybe at some point
25 would be -- trigger a step up in royalty. A flexibility

1 that have maybe a 1/8 royalty just for an example that
2 Councilman Redcorn was talking about. Maybe at the
3 initial phase one of a project. Might be a 1/8. Maybe
4 payout might trigger a different royalty rate. Maybe
5 after that group recovered a certain percentage of their
6 investment, maybe that would trigger the next level.
7 Doesn't have to be jump from 1/8 to 3/16. But whatever
8 we, as a Council, want to do and makes sense to us, with
9 the best interests of our headright owners in mind,
10 we -- our councilman here, Talee Redcorn is just wanting
11 that flexibility.

12 MS. KOKINOS: You have it. You don't have to
13 set the royalty rate and it stays that way. Your
14 current concession agreements have structured royalties
15 that do that same thing over different phases or
16 lifespan of those projects.

17 MR. REVARD: I would like to visualize the
18 process. So, if Councilman Redcorn drafted -- made a
19 motion to draft a resolution to that effect, it goes to
20 the Bureau of Indian Affairs. Is that at the local
21 Osage Agency level?

22 MS. KOKINOS: Yes.

23 MR. REVARD: Is it at the Eddie Streater
24 level? At what level?

25 MS. KOKINOS: At the agency level.

1 MR. REVARD: So, it would be our new
2 Superintendent.

3 MS. KOKINOS: Yes. It would be your
4 Superintendent.

5 MR. REVARD: It will be at her level that she
6 would make this evaluation and determination to give us
7 approval to do it or not to do it. What does that
8 process look like? What expertise is she going to have
9 at her instant? And I don't mean three months from now.
10 Councilman Redcorn may want an answer within days, not
11 months. What's it going to look like? What do you
12 anticipate? What is our new Superintendent going to do
13 the minute she receives a resolution signed about our
14 Chairman Waller that was voted by majority of the
15 Council to implement, it goes to the Superintendent,
16 what happens the day she receives it? Thank you.

17 MS. KOKINOS: She will process it. She will
18 confer with the Regional Director and any other subject
19 matter experts that she needs to whether in the agency,
20 at the region, the Solicitor's Office, ONRR, or
21 elsewhere. And then it's just evaluated. And she has
22 to write up the decision approving or denying it and
23 that's it. So, if it's just a base resolution, that's a
24 blanket statement, that's going to be a lot more narrow
25 than if you were doing a resolution for a specific

1 company that has more specific explanations.

2 MR. REVARD: Do you anticipate days, weeks or
3 months?

4 MS. KOKINOS: It depends on how complex the
5 proposal is really. But I mean, it's not something
6 that's going to take a year to decide whether it can be
7 approved. If it's a base resolution where you put in
8 the reasons why you want to do the 12 and a half percent
9 for phase one up to 16 percent for phase 2, 30 percent
10 for phase three, that's not hard to approve. It's just
11 reviewing.

12 MR. REVARD: I think this may be a segue into
13 another concern some of us have is that these new
14 proposed rules is going to require a significant amount
15 of increase in staffing on the Bureau of Indian Affairs'
16 part. It will take qualified people. We already know
17 that our local Osage Agency office is understaffed.
18 There's loss of vacancies. And we are told by the
19 former Superintendent, Robin Phillips, that the reason
20 for the vacancies primarily was the funding. Part of it
21 may be our location geographically in the desirability
22 of somebody to relocate to our area specifically. If we
23 got over that hurdle, we still think it's a budgetary
24 issue. So, there are -- the Bureau of Indian Affairs'
25 office is already understaffed. If these are getting

1 implemented, it's going to require lots more staffing on
2 you all's part, and a lot more sophisticated level, I
3 think. Especially when we are talking about what
4 Councilman Redcorn is talking about. We are talking
5 about carbon sequestration, and CO2 flooding, and maybe
6 thermal. Could be hydrogen. These are all kinds of
7 things we haven't even talked about yet. And that's why
8 we have to have lots more meetings.

9 But So, my question is, you realize if these
10 get implemented, the staff is going to be, you know,
11 explode into a lot bigger staff requirement with more
12 advanced personnel to deliver that. Is there going to
13 be funding? Could you give us some comfort in knowing
14 that you're going to have the funding to properly
15 implement this set of regulations?

16 MR. STREATER: Sir, can you give me an example
17 of where you think we would need to increase staffing?
18 With regards to carbons. Any of the enhanced recovery,
19 that's ongoing now with the staff we have now. And
20 that's production side that we don't really oversee.
21 That's your operators doing that, not us.

22 MR. REVARD: Glad you brought that up because
23 we challenge that. We --

24 MR. STREATER: I would like to finish, please.
25 And if we do have technical questions, we have subject

1 matter experts in the bureau or with ONRR who will be
2 coming on board. We have the mineral service center
3 that has technical expertise. And that's who we reach
4 out to. And that's for all Indian Affairs.

5 MR. REVARD: Well, this is something the
6 Council has talked about in the management of the CO2,
7 carbon capture and sequestration. Right now we do have
8 one producer that has on ongoing CO2 floods and they may
9 be getting some tax credits. But they are utilizing the
10 pore space that are owned by the Osage headright owners.
11 And we made claim to that. We made it publicly known
12 for a long time now. We want these new regulations to
13 address our ownership of that pore space, and we, as a
14 Mineral Council, we want to be involved in the oversight
15 and management of that particular CO2 related matters.
16 And then some day we are probably going to be talking
17 about helium as well. It may be hydrogen.

18 So, these are all things that I doubt are in
19 this book. But when we come to a final one, I would
20 like to have it included. So, with that, that's all.
21 Thank you.

22 MR. WILSON: This is Rollie. Attorney for
23 Osage Mineral Council. To reflect on a few of the
24 points of Councilman Redcorn and Councilman Revard.
25 There is a lot in the preamble to the proposed rule

1 about how it's responsive So, the Office of Inspector
2 General's report and the 33 recommendations that he
3 made. Maybe the most important one there is the one
4 that Councilman Revard came up with. And it's a lack of
5 leadership, staffing and expertise in training, and we
6 would probably add resources to that as well at the
7 local agency office. And So,, you know, with all due
8 respect to our current Super. You know, she's probably
9 already now at 105 days left or something. You know,
10 the revolving door is exactly what the Office of
11 Inspector General was talking about. And it has her the
12 ability for the Minerals Council to develop a resource
13 for the headright owners.

14 You know, you all are federal government
15 employees. I was there. We've all kind of seen how
16 that works. The good people up in D.C. Mr. Bart
17 Stevens, welcome to D.C. And there was a time he was at
18 another agency office and everybody loved him there and
19 hated to see him go. That's the kind of thing that
20 happens within the Bureau of Affairs and we got to find
21 a way to make that stop, So, that we can get the experts
22 and the staffing and the leadership that we need within
23 the Osage Agency office. Because that was one of the
24 findings of the Inspector General. And you know, the
25 over the ten years of the development of this rule, that

1 issue has not been resolved. And it's something that
2 needs to be a part of what we're doing here. A staffing
3 plan, staffing goals. And it's not just the reality
4 staff. It's the petroleum engineers and everybody.
5 Sure the service center in Denver, Colorado has been a
6 big help. But it's nothing like having the bodies
7 local.

8 MR. REVARD: Another area of these proposed
9 rules, this is Paul Revard again, is the -- there are
10 certain criteria that is referred to as the API
11 standards. And in particular, off the top of my head,
12 I'm thinking of maybe our meters for our gas production,
13 where you have a pipeline with a meter loop in it with a
14 meter on top of it, and you have all these different
15 specs that are supposed to be to API standards. And I
16 just wanted to point out that we are royalty owners. We
17 lease our minerals to producers who drill and develop
18 the properties. But they don't necessarily own the gas
19 gathering systems. Now, we do have one in particular
20 that does own gas gathering systems. But for the most
21 part, most of our producers, I mean, with just one or
22 two exceptions, do not own this equipment that all these
23 rules and regs address with all this API stuff.

24 You're imposing these rules or kind of
25 imposing rules, regulations, procedures, having to do

1 with physical equipment that do not belong to the
2 producers, nor are they even allowed to touch it, much
3 less dictate how it's used, when it's used, or anything
4 about it. These are our producers, they take the risk.
5 They develop the production. They send it through a
6 pipeline and it's out of sight. It's done. They get a
7 check. We get a check. And the measurement equipment
8 we would like for it to be as accurate as possible.
9 Because we have had experts come and assist us to
10 evaluate some of those meters. Of course we had to have
11 permission from the owners of those meters, but they
12 allowed it. And in every single instance, every
13 instance where there's been an error, it's always been
14 in the purchaser's favor and not in the producer and
15 royalty owner's favor. So, we do understand the need
16 for accurate measurement because we know we are getting
17 screwed. All right?

18 But it's out of the -- it's out of our control
19 as a royalty owner as to what that gas company does that
20 owns those pipelines. It's not -- it's not our
21 producers. All the regulations refer to the lessee's
22 responsible for this. They are responsible for that.
23 They are responsible for this being done on time. This
24 being done on time. But there are some things that are
25 just not in their purview. It's not -- it doesn't

1 belong to them. They have got no control over it.

2 So, I would like to know how you think that
3 you can implement regulations on our mineral estate
4 forcing a producer to comply with something that's out
5 of their control, and they are not even allowed to touch
6 it for liability purpose, and the fact that it's not
7 their equipment. So, I would like a comment about that.

8 MR. MOUTON: Before we answer that. It's
9 Michel Mouton. I have a question for you. Because I
10 know that you're interested in having accurate
11 measurement of your product. How would you propose we
12 ensure that there's accurate measurement of your
13 product?

14 MR. REVARD: Well, I don't have an answer to
15 that. I don't know. But I do know that our producers,
16 it's not their equipment. I do know in Texas, the
17 Railroad Commission, anybody that has a pipeline in
18 Texas registers their pipeline and is governed by the
19 Railroad Commission of Texas. They have a monthly
20 report, it may not be monthly, I can't remember. I
21 owned a gathering system once in Texas. It may be
22 annual. But you had to report the diameter of your
23 pipeline. How many miles or footage. Maybe it was
24 measured in rods of pipe. What product goes through
25 that. If it crossed under an interstate highway you

1 would have one set of requirements, versus, you know,
2 somewhere rural. But everything that had to do with
3 pipelines was known about and regulated through the
4 State of Texas, under the Railroad Commission of Texas.

5 MR. MOUTON: On whom?

6 MR. REVARD: It dealt with the purchaser of
7 the pipeline and not the producer. So, this case, if
8 you all want to make up rules for the gas companies,
9 well then I guess you all need to go talk to the gas
10 companies. We are not a gas company. We are royalty
11 owners. And our main concern is getting the best price
12 for our product, and as big a volume as our product as
13 we can get without being wasteful. We want to preserve
14 our mineral estate. Sometimes it's not being greedy and
15 not producing a well too hard too fast to get the most
16 out of it.

17 Just for an example, a typical reservoir of
18 oil and gas, you could picture it like a pop bottle. If
19 it's, say one-third of your drink one-third of the cola
20 out of it, if you put your thumb over the top, shook it
21 up, and you just pulled your thumb off all at once real
22 would, fast you get the big old burn that would come
23 out. But it would leave all that left in that bottle.
24 You shake it up good and just barely pinch if, you're
25 going to empty that bottle pretty much all the way down.

1 So, that's conservation. So, with that in mind.

2 But we are royalty owners. And we want to
3 produce conservatively the best we can, the most we can,
4 and we want the best price, and we don't want to be
5 cheated. And we appreciate your help in keeping us from
6 being cheated. All right? So, we do appreciate that.
7 If there's something you can do to these independent
8 companies, fine. But you can't penalize us as a royalty
9 owner. And we would appreciate if you wouldn't penalize
10 our operators because we are trying to beg them to stay
11 and not leave. Most of them would like to leave if they
12 could. Okay?

13 MR. MOUTON: I totally agree. We do not want
14 you cheated. Absolutely not. We don't want your
15 producers cheated. We don't want anybody cheated. So,
16 my next question is --

17 MS. KOKINOS: One second, Mitch, before your
18 next question. We did receive public comments on this
19 same issue, that it appears that there's burden being
20 put on the lessee for equipment that they don't have
21 full control, or any control, over. And that's
22 something we are looking closer at to make sure the
23 burden is being put on the right party, and that
24 authority over that equipment and the entity responsible
25 for it is sufficient. So, we are looking at that.

1 MR. MOUTON: So, my point was is that, if we
2 want product measurement to be accurate, and we all
3 determine here that the person who needs to be imposed
4 upon to make sure that product measurement is accurate,
5 is the person who owns the pipeline 'delivery system.
6 So, we were able to put some regs together that says,
7 you people that have these pipeline delivery systems,
8 you need to do this, this and this So, that nobody gets
9 cheated, what do you think they are going to do? I'm
10 just asking you what if. And whatever they do, is it
11 going to be a benefit?

12 MR. REVARD: We are talking -- of course, all
13 this API talk is just about gas production. Okay. I
14 realize our storage vessels and other things that
15 require API.

16 MR. MOUTON: I get that. I'm just -- let's
17 have a conversation about the possibility.

18 MR. REVARD: On the natural gas pipelines, we
19 talked about this briefly earlier, is that it's kind of
20 a captured market. The purchaser can't say take it or
21 leave it, or if I have to do that, I would just soon
22 pack up and leave. I don't know. But we don't want to
23 run them off either. I don't know how you get them in
24 compliance to your standards. We would like -- or our
25 standards as well is what we would like to see. Because

1 we do want our product measured accurately because we
2 don't want -- we don't want to be shorted.

3 MR. MOUTON: We're with you.

4 MR. REVARD: I don't know the answer. And I
5 don't know what -- I know that we, as a royalty owner,
6 don't have any control over that. That I know of.

7 MR. MOUTON: I'm with you. And right now
8 today, we can't come up with right here, right now,
9 what's best. But I do know that whatever we come up
10 with two things have to happen; one, it's got to be
11 written down because it has to be enforced; and number
12 two, the people that you're going to enforce it on, they
13 are going to be able to do something.

14 MR. REVARD: But the thing is you did do it.
15 You brought in this book. And that's harmful to us when
16 you do that, you know. You did put it on to the
17 producer and that hurts us because we -- we're trying to
18 hang on to our producers.

19 MR. MOUTON: I understand that.

20 MR. STREATER: There again, this is just a
21 proposed rule and that's why we are having this
22 consultation to work these things out. But with the
23 issue of the gas, we don't have any authority over the
24 purchaser. That's one of the issues here. But as
25 Kristen said, it's been brought to our attention. And

1 we had this conversation earlier in the week about this
2 particular issue. And we are certainly going to revisit
3 it to try to figure out what would be best option it is.
4 Government has no responsibility or has any legal
5 authority with regards to the gas purchasers. That's
6 completely between the producer and the purchaser.

7 MR. REVARD: Well, I think what may make sense
8 practically, and I'm no expert at this at all.

9 MR. MOUTON: That's what I'm asking. What do
10 you think?

11 MR. REVARD: Well, I think that if you do
12 something, I think it's going to have to be gradually
13 implemented. It could be that we have these discussions
14 with the purchaser. Keep in mind, similar to these oil
15 producers acquiring leases, a lot of times they weren't
16 the ones that drilled the well. These purchasers may
17 not have been the ones that built the pipeline and put
18 this old antiquated system in. It could have been
19 Phillips Petroleum back in 50's that Councilman
20 Redcorn's really familiar with. They were the first big
21 gathering -- well, not the first gathering system, but
22 in recent times, from the 50's on, they were -- they
23 were one with the biggest infrastructure for gas
24 pipelines. Phillips. That would be Phillips. But
25 that's changed hands five times, you know, that I know

1 of. So, now the people that have it now, they weren't
2 the ones that put all that equipment in. Some of the
3 pipeline systems have the old paper charts. I think we
4 called them Bartons with the ink pens, the red, the
5 blue, the differential and the static; right? And then
6 now today they have the electronic ones, Total Flow is
7 the name brand of one. Those are really accurate. You
8 can read them off your cell phone or your computer in
9 your office. Those are all nice.

10 But for somebody if you're to say, I think
11 your regulations state that they all have to be
12 electronic. Well, what about all the systems that are
13 out there that aren't electronic now. If you're going
14 to force -- first of all, you can't enforce it. You
15 said So, yourself. We can't do it. But if we were to
16 encourage them to do it, I would think that you would
17 want to phase it in. Say look, we don't expect you to
18 do this overnight, but maybe you could work on this
19 section of line and eventually maybe start with the most
20 volume, and then go out to the least volume. I don't
21 know.

22 MS. KOKINOS: There's also built in to the
23 proposed rule as it is, there are time frames for
24 compliance for both the changes in oil measurement and
25 gas measurement that provides that all changes have a

1 one-year delay before they would have to be implemented,
2 even when the proposed rule is issued. So, that gives
3 people time to plan and make determinations. So, we
4 take what you are saying and we will consider it. But
5 also we did want to make sure that just as a general
6 matter for everyone that would be required to comply,
7 that there would be a lag where they would have time to
8 take that into consideration.

9 MR. MOUTON: The phase-in as we currently are
10 talking about it, they are phased in. And I agree with
11 you, that's a good idea. But I'm ahead of you. We
12 already did that.

13 MR. STREATER: Would everyone like to take a
14 quick ten-minute break and then get started again?

15 (A short break was had; after which the
16 following proceedings took place:)

17 MR. STREATER: I don't see Chairman Waller
18 back. But Myron, are you Second Chair; correct?

19 MR. RED EAGLE: No. Joe is. Joe's left the
20 building as well. We can go ahead and if anyone wants
21 to speak.

22 MR. STEVENS: I think since the Chief's here,
23 I say let's go for it.

24 MR. REVARD: Director Streater, I would like
25 to have a few comments. Especially what we were talking

1 about a while ago. But as I stated before that you all
2 have no control over the purchaser; is that correct?

3 MR. STREATER: Yeah.

4 MR. REVARD: Does that mean it's just a free
5 market, that he can set any price that he wants to and
6 abide by any price that he wants to; is that correct?

7 MR. STREATER: Well, that's what's been
8 happening right now.

9 MR. REVARD: So, what -- is there some
10 litigation above, you know, United States Congress that
11 could change that? Is maybe we -- I think they plan on
12 going to D.C. some time.

13 MR. STREATER: I wish Mr. Simpson was in --
14 here he comes.

15 MR. REVARD: My question is the Bureau of
16 Indian Affairs has no authority over this particular
17 process, you know, then who does and what can be done
18 about it?

19 MR. STREATER: Well, Mr. Simpson. The
20 question is with regards to gas purchasers, since we
21 don't have any legal contract or legal authority over
22 them, the agreement between the purchaser and the
23 operator, and it's a very cornered market. What would
24 be the next logical step? How would the Nation or the
25 Minerals Council go about addressing that? Or is there

1 anything that the government could do?

2 MR. SIMPSON: On the metering end of -- on the
3 metering question.

4 MR. REVARD: Not metering the actual
5 purchasing. We've got a limited amount of gathering
6 systems by just a few purchasers. And they are saying
7 take it or leave it.

8 MR. SIMPSON: Yeah. There's precious little
9 we can do. I mean, I -- if it's -- I can't come up with
10 really much of anything.

11 MR. MOUTON: I can give you an analogy though.
12 I can give you an analogy. The analogy is this, you
13 need to use gasoline in your car, and you drive around
14 to the gas station. That gas station owner has a posted
15 price out there for what he wants for his gas if you
16 take gas out of his pump. And if you say, as the guy
17 who is going to pump the gas in to your car, I don't
18 like this price, it's too high, what's he going to say?

19 MR. SIMPSON: He's going to tell you to go
20 down the street, which they don't have the opportunity
21 to do because it's a captive system.

22 MR. STREATER: Yeah. I think I would -- maybe
23 something that could be done, and you know, how
24 effective this would be, I don't know. But bring those
25 gas purchasers in as a good neighbor, as the Osage

1 Nation has been here since the beginning of time on --
2 in this county. And we dealt with these people all
3 -- and maybe come to some sort of agreement with them.
4 Try to get them to the table where they at least will
5 have a little wriggle room. They need you too. They
6 like to have -- make money. So, it may be a step. It
7 may not get to the end of the race, but it may be a
8 first step.

9 MR. SIMPSON: Or you can do what you were just
10 talking about during the break. Take over the
11 pipelines.

12 MR. REVARD: I got to go do --

13 MR. STREATER: You know, I guess maybe an
14 explanation. You don't go for the first time, but go
15 from there.

16 CHIEF STANDING BEAR: Let me just this -- this
17 is Standing Bear. Let me just say this while we are
18 talking about -- we have -- there's a short-term issue
19 which affects production and people's attitudes going on
20 right now. And I that's -- that needs to be addressed
21 and is being addressed, but we got a long way to go with
22 no time.

23 There's the longer-term issues. And that is
24 looking at Southern Ute for example and how they use
25 natural gas, 25 years ago, a little bit more, to build

1 their very successful programs. You got Jicarilla.
2 Used to be called Jayco. They changed the name of the
3 company. And their Council has an oil and gas company.
4 And then you have Three Affiliated Tribes.
5 And their example. And I've worked with some of these
6 tribes over the years. And they are good people. But I
7 can tell you, they have got nothing on us. We've got
8 the experience and education. It's just that we here in
9 Oklahoma in minerals have not been connected nationally
10 too much to what goes on. But that brings me to
11 minerals mining and leasing. And Candy Thomas has
12 worked with them before. So, has the Minerals Council.
13 And if a need is demonstrated, for example if you do
14 bring these producers together and they discuss this and
15 you can document, and my office will do what we can to
16 assist on a clerk or recording or whatever we need to do
17 to help, if we can establish that need, we can approach
18 the federal government if they are still interested in
19 doing what they said five years ago, is identifying the
20 natural gas private systems and how they could be linked
21 together. And they said they may not be able to put the
22 money to build it. But they can do the feasibility
23 study. And they could do the engineering. And they pay
24 for that and we -- and as they convinced me, you can
25 take that to the bank.

1 The conversation quickly turned to cost. The
2 Councilman Revard's correct that all this costs So, much
3 and the government can help out. But they can't really
4 because everything we've done on self-governance, be it
5 police or social services, you name it, real estate
6 services, is never enough. And as Mr. Simpson pointed
7 out, that's because the federal government never has
8 enough. But as a tribe you've got to just take that
9 that's part of the formula. If you want to get into
10 self-governance, you got to be able to increase those
11 costs to get to the standards we've been talking about
12 for So, long. Because when self-governance comes in,
13 there's also the responsibility for it.

14 So, we put a lot of money into these other
15 programs. And if we can ever got over the food -- not
16 food. Get over the supplies of some of this electrical
17 equipment, we can get our other casinos open. And if
18 we're lucky, we'll have more funding next year to
19 support our Minerals Council the way we support our
20 police, social services, and other folks. So, that's
21 long-term.

22 And I really would like to continue to
23 encourage our Minerals Council to work on that, about
24 getting that Interior Department group in Denver and
25 D.C. to help us develop our infrastructure. And then I

1 can go work with our Osage Congress while you folks can
2 get me some of that money. But in the meantime, we've
3 got short-term issues because as Paul has mentioned, the
4 attitude among the producers right now is not very
5 positive. And they are angry. I know there's meetings
6 going along in the county with different groups on this
7 weekend. They don't have any solutions. I can't give
8 them a solution. I don't think anybody here can. But I
9 think we got short-term problems that need to be
10 addressed really quickly. And I don't have any answer
11 for that. That's why I'm here to support Minerals
12 Council.

13 But I would encourage us all to remember if
14 these other tribes can get their own companies and work
15 with their councils and be successful, we can do it too.
16 However, as we pointed out, we all know it takes years.
17 What Hickory, Southern Ute have done took 20, 25 years.
18 But they showed me their balance sheets with their
19 Controller. And I said, am I supposed to be seeing
20 this. And they said, well, you're showing it to me.
21 And they said, Council said show you everything. And I
22 said what's this -- what's this 800 million? They said,
23 oh, that's just our revenue for this year. This was
24 five years ago. They said, our net worth is 4.5
25 billion.

1 MR. SIMPSON: You're talking about Southern
2 Ute.

3 CHIEF STANDING BEAR: Southern Ute. And
4 they've diversified to all these LLC's. And I just got
5 to tell a little story about them. I said LLC's? He
6 said, yeah, we own property in Phoenix, we own storage
7 units in Maryland and all this. And I said, did you do
8 this within your tribal codes? And they go, oh no. We
9 organized in the State of Delaware. And of course I
10 said to myself, oh, that's So, antisovereignty. But
11 they explained it to me from their point of view. Don't
12 just look at it that way, Chief. They said, we get our
13 financing out of New York City. Big clients. Hundreds
14 of billions. And gosh, they are working on offshore
15 drilling platform for Louisiana when I was there. So,
16 they said, what we do is we get the Delaware attorneys
17 and we incorporate them because the New York banks and
18 finance groups are used to that kind of language. And
19 then they pointed out to me all of these techniques like
20 that about when they hire someone from Enron. They
21 hired this guy over there. They said, we hire networks
22 not just individuals. They also pay their petroleum
23 engineers incredible amounts of money. Hundreds of
24 thousands of dollars. So, my point is these are I think
25 the solution is for us to go ahead and build out our

1 systems. You guys run it. Continue to keep the oil and
2 gas producers as partners. This other we need to come
3 in and naturalize. We took minority positions in
4 companies and have the producers there the majority.
5 But it took years. And So, I just want to point out,
6 that was a model I was sold on. And Jicarilla, their
7 deal was to get their internal regulations simplified
8 and workable, and then have BIA come in and advise and
9 then work in the partnership. At least that's how they
10 are telling me. I want to believe it So, much, I was
11 like, yeah, yeah. Still am. But Jicarilla, they talked
12 about a partnership with the federal regs, which they
13 considered too over-complicated and their own chapter,
14 you can go to their own rules, and they worked out it
15 with the BIA. So, in Three Affiliated -- I've never
16 been there. But I have talked to Chairman.

17 MR. REVARD: Just call and we can ask about
18 it.

19 CHIEF STANDING BEAR: So, those are long-term.
20 But better start now. But in the meantime, short-term,
21 I don't know what to tell you.

22 MR. SIMPSON: Three Affiliated is their own
23 company. It's Missouri River Resources. And the Tribe
24 has leases with MRR for development. And they are done
25 just like leases with any other company. I think I

1 mentioned to you also, and I may have been lost in the
2 conversation, the other tribe that's doing a lot of that
3 work right now in different model are the tribes at Wind
4 River, the Eastern Shashone and Northern Arapaho, who
5 are actually -- have not formed their own company, but
6 are doing it -- but has -- they are operating out of --
7 they have their minerals office developing the gas
8 leases. And they are entering into some contracts for
9 some operating agreements, you know. Sort of
10 subcontractors. But they are not conveying an interest
11 in the minerals. So, BIA doesn't have to approve of
12 them. And they are doing it completely on their own.
13 They've started with a couple of fields that they took
14 over a couple of leases. We've got a question in front
15 of us now whether you need to have a field where you're
16 taking over a lease or you're just doing it. Oh,
17 actually Mountain Ute is doing the same thing on their
18 own.

19 CHIEF STANDING BEAR: I do want to say as we
20 transition, because I do think the damage is out there,
21 because I agree with Paul, the publication has a
22 chilling effect and there's some anger out there.
23 Because I live -- it's not only the grocery store, it's
24 the post office when you get stuck. And it takes me --
25 it's 30-minute trip just to go get my mail. But we have

1 to accept, you know, some of these things are out of our
2 hands. But if we can get some position papers like on
3 some of the matters we talked about today, some of these
4 sections, just some agreed-upon observations that we can
5 sit and look at without too many conclusions, but
6 working on these things, get some progress reports
7 public. I think people want to hear from us. Because
8 who else are they going to hear from? As we all know,
9 when people with passion and their livelihood run into
10 bumps, they'll go around. They'll go around. And next
11 thing you know, what always happens, is the people start
12 going around, other people start coming in. And before
13 long you know it, it's all -- you lose control. And
14 while we have this opportunity to be the main voices,
15 all of us, if we can find the areas, just little
16 sections, it's huge. Like appeals or the NYMEX.
17 Explain the NYMEX. Whatever you all decide on. But
18 right now you just say NYMEX and people just blow up. I
19 mean, it's just like gasoline. But if you can explain
20 it and if you guys agree with it, tentatively,
21 tentatively, say all subject to modification. That's
22 what we need to do. Get areas where people can take
23 like position papers. But we need it quickly.

24 So, that's my recommendation that even though
25 I have no -- as Osage, we have no day to day

1 responsibilities. That is not a good answer though to
2 Osages when I tell them. They say, you're the Chief.
3 You're responsible. So, let's do something because they
4 don't want to hear me saying, I'm Chief, I don't have
5 any authority. They don't want to hear that. They
6 don't believe it for one. Yeah, Eddie. Fix everything.

7 MR. STREATER: I get some of that some stuff
8 too, Chief. As does Bart.

9 MR. REDCORN: One thing I think we need to be
10 cognizant of is the Osage is unique, it's different. We
11 are on the decline end of -- we are on the tail end of
12 the decline throughout the whole Reservation. And
13 production averages of .77 barrels per day. Gas is the
14 same. And we're looking at the opportunity right now
15 but just huge volumes of gas that's been captured and
16 done before. We are still hopeful. We're working hard.

17 We did a study in 2008, I believe. I found
18 out through our research about half of our small gas
19 producers didn't even have a meter on them. So, the
20 discussion became we need to put a \$2,000 meter on it.
21 And then we got feedback right then. We can't afford
22 that. So, now if it's a few people. But when you're
23 talking about half of our producers out there are in
24 this predicament, any little extra is going to kill that
25 production.

1 I got on the Mineral Council in 2006.
2 Production was about 14, 15,000 barrels a day. About a
3 thousand of barrels was coming from Burbank. They were
4 producing, doing enhanced recovery, water-flooding, that
5 kind of stuff. They have since from then until now
6 started CO2 injection. Their barrels have gone in that
7 specific area of the Burbank started up to one. They
8 got up to five, six at even more thousand barrels a day.
9 Kind of petered off a little bit. But the rest of the
10 county has gone from 13 to 14,000 a day to about 5 or 6
11 since the time I've been on here. So, we are talking a
12 whole different ballgame from when I got on here on
13 Mineral Council in 2006.

14 So, we are trying to protect that. We got our
15 big producers. And I could, you know, we could talk
16 with these gentlemen here and our Council that we know.
17 And then we got all these mom and pops. That's where we
18 think if we don't do something to protect that recover,
19 we are going to lose it. I don't mean to be, you know,
20 sharp in my discussion or anything. To me it's my one
21 shot deal to tell ya'll what I think. And then you are
22 going to roll out something and I get it. You know,
23 you'll roll out something I hope my words weigh in your
24 hearts when you write. And it will come out as a
25 finished product. That's up to you all with what you do

1 with what I say. I don't mean anything mean. I just
2 want you all to know that, you know, I feel like if we
3 don't have these things in place, we can throw off a lot
4 of barrels.

5 I've shifted my focus. I'm trying to get more
6 barrels, more volumes of gas. What can we. We are
7 looking at technology after technology after technology.
8 But in the -- while all that's going on, we've got to
9 protect these 50 percent or so, mom and pops that are
10 out there producing .77 barrels a day. They will sell
11 their tank full of oil probably once every five or six
12 months. So, if you look at the production history
13 through NYMEX and some of the other stuff we've got,
14 you'll see these areas that are out there and what they
15 are producing per, you know, like a year. You have to
16 look at it that way because they don't produce enough to
17 sell.

18 And then they are -- you know, they are
19 working that. And they are also -- a lot of them are
20 tribal members. And they are also working the land.
21 And you know, they got a job. So, we're just -- you
22 know, then that production, I can turn that over to our
23 shareholders in a headright payment. So, that's my
24 biggest worries. I'm going to lose barrels. So, when I
25 got on it was around 13, 14,000 standard primary

1 production. You drill, you pull it.

2 It has since gone from that to Burbank is

3 producing almost half our barrels through CO2 recovery.

4 So, that's kind of the picture we're looking at now.

5 And I just heard that our UIC program has one person in

6 there. And we did a little digging. We found out,

7 well, one person is all they need. Well, you know, back

8 in the day there were several in that office. So, it

9 was kind of a shock to me that we've lost, you know,

10 manpower. And to me it's based on production. We don't

11 have the production So, people are walking out the door

12 on our end, through the Bureau of Indian Affairs. We

13 don't have engineering any more. You know, that's what

14 I've been hearing. We have our field guys, you know.

15 So, we've lost a lot of ground in my view. And to me

16 it's just how production's going. I don't think we are

17 off the map. I think we've got to think heavily. We've

18 got to think strategically. We got to think and use new

19 technology. I worked my way up in an oil company and I

20 was in technology. And we were just looking at, you

21 name it, we were looking at all these little elements to

22 try. When I first started this old Indian man was

23 working there. And he said, son, you got to just -- you

24 got to take that barrel of oil and you got squeeze a

25 little drop or two out of it. That's your job. You

1 know, and I was like, Roger, I got it.

2 And that's how we did it, you know. Either

3 trying to turn that bolt to get more barrels, and then

4 we got guys out there doing that now. Or re-think the

5 whole process and it's got to do it fundamentally

6 different. That's where technology comes in. And

7 that's where I made my bones and I would like to protect

8 that. If we can somehow start -- and we've already

9 talked to a lot of companies coming in. One's kind of

10 exciting. We talked about really. But since gas, you

11 know, electric generation through our own natural gas.

12 I mean, we're looking at that quite heavily. We haven't

13 had a chance to talk among ourselves as a whole eight

14 group on that. But you know, we're continually looking.

15 Mr. Red Eagle and I call a lot of folks, different

16 tribes. We know these tribes out there. And I say the

17 difference between us and say the Three Affiliated is

18 they are on the front end of the decline curve. And

19 life's good. We are down here on the back end. Your

20 production goes up. And then it just starts tailoring.

21 County-wide, reservation-wise we are at that point. But

22 hasn't stopped us. Where dreaming up. Maybe we can

23 start attacking the western -- get into the Mississippi

24 Chat, the limestone. Those kind of things, what we are

25 trying to look at going west.

1 CO2 is a big thing. It's a big. CO2
2 recovery, we've got an engineering study on that. So,
3 we're excited. I mean, I don't think -- I want you all
4 to know we are not sitting on our hands here. We
5 disagree in the chambers, but I think when we come out
6 and face the other folks, we're unified together. We
7 want to get production up. I want to get that
8 production up to 12 to 15 even 20,000 barrels a day. I
9 think we can do it. That's more money I can stick in a
10 headright holder's pocket. I heard our Cauigau say
11 maybe we need to start nationalizing. I would love to
12 have that conversation. We need to do things a little
13 different. But we got to have these regs in place So,
14 we can make that transition. I think that's our next
15 move, you know. But I don't want to have to go back and
16 rewrite regs So, we can -- you know, just want to make
17 sure you all understand. I'm not picking on your stuff.
18 I'm saying this is what I would like to do in the
19 future. And when I walk away, our Osages coming up can
20 carry on our vision. So, thank you. Thank you.

21 MR. REVARD: I would like to address an issue
22 of natural gas. You know, our natural gas is associated
23 most time with oil production. There is some gas only.
24 But a lot of the gas we have is what we call casing head
25 gas. It's associated with oil production. And our

1 reservoirs are So, depleted, the bottom hole pressures
2 are So, low, extremely low, that if you were to close in
3 the casing angles, the space between your tubing and
4 your casing where your gas is being -- coming out of the
5 wellbore, that holds back pressure on the formation down
6 below. In our reservoirs in some -- in lots of
7 instances, it's So, low that if you were to just shut in
8 gas as small as 3 to 5 MCF a day, which is just hardly
9 nothing; right? But if you were to close that casing
10 in, that pressure will start building. So, it's -- we
11 have low pressure high volume, and we have the vice
12 versa, high pressure low volume. And then everything in
13 between. So, even though there's not a whole lot of gas
14 coming out, if you're to close it in and trap it, it
15 will eventually build and build and build and build and
16 pressure up that backside. And our reservoirs are So,
17 depleted with such small, you know, low bottom hole
18 pressure, that if we held as little as five or seven
19 pounds of back pressure against our formation by closing
20 that in, it would -- it would prevent a drop of fluid
21 coming in to your wellbore, you know, from the
22 formation. Picture the formation with oil, water and
23 gas, you know, trapped in the rock, and it's going to go
24 to the least resistance when your well bore's open.
25 That's where it's going to slowly creep and migrate to

1 and comes in. But if you hold a little bit of pressure,
2 it's just going to stay right there. And it's not going
3 enter the wellbore. I'll give you an example. If you
4 had a well, and a lot of them do that make a half a
5 barrel a day, three quarters of a barrel a day, which is
6 our big producer right now, the average is three
7 quarters a barrel, you shut half a barrel or barrel a
8 day well because you're venting 3 or 5 MCF, the next day
9 you will not have any fluid come in to your wellbore.
10 It will just totally dry it up. And that -- So, you've
11 lost that well. The production from that well. So, you
12 cannot shut in your gas. So, what you do, you vent it
13 or you put it in a pipeline. Well, you put it in a
14 pipeline, what's already in place? The thing is that
15 pipe going to a gas meter and then into the purchaser's
16 pipeline who is buying the gas. Well, they always have
17 a certain amount of line pressure. They always have
18 constant amount of pressure on that pipeline at all
19 times. And it's typically low. But when I say low, I'm
20 talking 10 or 20 pounds. That's still too much. I just
21 told you, as much as -- as little as 5 pounds of
22 pressure will keep that barrel or half a barrel a day
23 well from being able to be produced. So, you can't buck
24 the line. You got five pounds coming out, you can't
25 buck the 20 pounds to get into the gas line. So, it

1 just builds that pressure on your well. So, you can't
2 tie it into the gas line. Your only other option,
3 without just shutting your well down and losing your
4 production, is to vent it. Just open it up to the
5 atmosphere and just let it trickle out. And then that
6 little bit of warm water comes in and you can produce
7 your well. We have hundreds, if not thousands of wells,
8 where we're venting little amounts of gas. These
9 regulations say that no well -- no gas shall be vented.
10 Except without the permission, authorization I think, of
11 the Superintendent. And I think it's written at his
12 discretion, because I guess at the time it was always a
13 male, if you can say that today. I don't know if you
14 can or not. But I just did. But now we have his or
15 hers and that, which is good.

16 But the thing is, even though the Osage Agency
17 and the BIA knows that there's gas being vented at
18 different locations, it maybe don't ask, don't tell.
19 But if -- and I do know nationwide that methane gas from
20 production is a big concern, especially today. They
21 talk about carbon and how bad it is. I heard a
22 statistic yesterday that methane is 80 times more
23 damaging and harmful than carbon. 80 times. So, I
24 don't know what we are going to do about that.

25 If the federal government, if these regs are

1 really strict about venting gas, and I assume they are,
2 and you vent all our oil fields and you inspected every
3 single well and you shut in every well that was venting
4 a little trace of gas, we would be -- we would be over.
5 It would be over. We need to come up with some method
6 to not vent methane because we're good stewards of our
7 environment, but we also need that production. Now, one
8 way with today's technology that you can do that, and
9 Councilman Redcorn's more familiar with it than I am
10 because I know he's met with these people that produces
11 the equipment. You can compress it. You can put a gas
12 compressor there and draw a vacuum and relieve that
13 pressure from building up. But those compressors are
14 expensive. But there's a company recently that's based
15 in our mineral estate area that's come up with an
16 inexpensive, but it's still too expensive for this
17 little 5 MCF a day well. I think the cost is 15 or
18 \$20,000 per application. And you got to remember the
19 size of our operators. They don't have an extra 20
20 grand to produce a half a barrel of day oil that they
21 sell a tank of oil, like Councilman Redcorn said, maybe
22 twice a year, three times a year if they're lucky. They
23 are not going to shell out 20 grand when they got, you
24 know, other household bills to pay to do this. And all
25 I know that's going to happen is they will get

1 reprimanded for venting that little trickling amount of
2 gas, which is harmful, especially when you talk about
3 hundreds if not thousands of wells, it adds up. But
4 it's an issue. It's a concern. And maybe -- I don't --
5 maybe there's a way if I would, you know, anticipate
6 Mitch or Robert asking me, well, what would you do, what
7 you would suggest. I do have a suggestion. That in
8 this particular instance, maybe, maybe you all can
9 subsidize the cost of implementing this equipment to put
10 a vacuum on these wells. And it would benefit our
11 mineral estate by monetizing the gas that's being vented
12 and put it in their pockets as royalty. Maybe help
13 offset the cost of the equipment. But that is something
14 that I anticipate could be a problem. It's not right
15 now because it's not enforced. If you went to ask the
16 Superintendent, said may I vent 10 MCF of gas off my
17 number 1/8 well, she would probably say, no. So, you
18 don't go ask her. All right. Don't ask, don't tell, I
19 think the military says. All right.

20 So, I just bring -- it's something that sooner
21 or later is going to come out. And it's something that
22 needs to be considered as a -- it is specific to us
23 because of the nature of our reservoir. Our mineral
24 estate is like Councilman Redcorn said, we are not only
25 on the low end of the decline, we are at the tail end of

1 it. As you all know from keeping track of counting the
2 barrels and knowing about production, you know. You
3 folks over here especially. You know, at the primary
4 production you come in, that's about the highest the
5 well will ever do. There's usually a sharp decline
6 sometimes within the first three or four months, if not
7 the first year. You are coming down, I don't remember
8 the percentage. Different reservoirs would be
9 different. But sharp decline. Then you will start
10 slowly leveling off. And then it will get almost
11 flatlined, but almost still constant decline. Forever
12 and ever. We got Bartlesville wells that will produce
13 50 years. They'll come in 30 barrels a day, four months
14 later they are down to 17 barrels. And it will rock
15 along like that. And before you knew it, now you're
16 down to 12, 10. You know, another year or two go by and
17 now you're at 7, 8. When it gets around that 6, 7, 5,
18 you know, it will just rock along there for a long time.
19 Eventually down to 4, 3. And now we are down here -- we
20 are down here to where these wells are now .77. That's
21 where we are. And most of our wells are like that, with
22 the exception of this couple of fields that we have by
23 the big producers. So, it's just something that we need
24 to deal with. We know it's an issue. We need to think
25 about capturing this methane. We need to keep in mind

1 that the producers that we had can't afford the
2 equipment that's required to capture it and to monetize
3 it. So, my suggestion would be maybe help us find a way
4 to subsidize capturing equipment. Just a thought.

5 MR. STREATER: That's certainly a novel
6 approach to doing it.

7 CHAIRMAN WALLER: Let me have the floor. It
8 won't be novel.

9 MR. STREATER: Well, I was fixing to say, you
10 know, it's possible maybe the government could do
11 something. Now, the Bureau of Indian Affairs couldn't
12 subsidize it because --

13 CHAIRMAN WALLER: Wait a second. I didn't ask
14 you to bring your checkbook. Let me have the floor.

15 MR. STREATER: Sure.

16 CHAIRMAN WALLER: Chairman Waller says, I set
17 on the IC Committee of Department of Energy. They have
18 billions that they need to spend on exactly this
19 environment. And that's what I would like to say is the
20 Bureau has the element here. And I understand his
21 element. But my god, the last time we had a meeting
22 with DOE that I set in on, hundreds of billions of
23 dollars just to stop this methane. So, I'm going to
24 expend it a little more. I've seen these co-gen units.
25 They are a great deal. I got run off from Mojave once

1 because the Tribe owned it out there. And then the
2 corporation wouldn't even let me on their own site. So,
3 we can't have that happen. But we can look at
4 possibilities of identifying it through your offices, to
5 allow me to go take it to Secretary Haaland and tell
6 him, I have about four items here I need you to look at.
7 We are getting very creative on the co-gen units. I've
8 seen the skids. I think that could be a possibility.
9 The effort is, is that also we need to look at some
10 other circumstances to stop the gas itself. If it's a
11 producer, then we can have this quantity. If it's a
12 nonproducer, then maybe we better try something
13 different than spending the \$24,000 on plugging the
14 well. Can we seal it. Can we line it. Is there new
15 effort in there that we could do something to protect,
16 not only the environment, but the well itself?

17 Whether Councilman Revard's talking about the
18 pore space, that's exactly what we need to look at.
19 You're looking at an identification from a state law who
20 owns it. I'm kind of with brothers and sisters here on
21 my Council and my Chief. I know who owns it, you know.
22 And it's kind of the point where if you can give us
23 certain numbers, we can take it with the support of the
24 two gentlemen on the end there, I'm not talking my
25 Attorney General. He's all in because he signs his name

1 Osage Nation, So, I know the Chief will allow this. We
2 have So, much funding out there that we're missing that
3 might actually help in this environment. Call me late,
4 call me often, but that will be under Department of
5 Energy. Thank you.

6 MR. STREATER: And that's what I was going to
7 finish up with. While the Bureau may not be able to
8 assist in that, there is other agencies that can. And
9 for that matter, maybe the Nation could ring up the
10 Congressionals and ask if a tax credit could be written
11 in for methane for your producers here in Osage County.

12 CHIEF STANDING BEAR: It says here, as we all
13 know, public comment period closes April 7. This says
14 BIA reviews public comments, makes changes to the
15 regulations as appropriate, and prepares final rule.
16 And then the last two sentences say, BIA publishes the
17 final rule in Federal Register. And the last says,
18 final rule goes into effect 30 days after publication of
19 the Federal Register. So, I guess I'm going back to
20 what Paul Revard said this morning, can we make a public
21 statement from this meeting that we need to further
22 consultation, and that even though April 7 would be
23 there and gone, that we're not -- you are not making any
24 preparations of the final rule yet. But when you do,
25 you'll let us know or work together. Because the way

1 this reads, this train is moving forward and there's no
2 stopping it. So, I just like to get your thoughts on
3 next steps.

4 MR. STREATER: Well, I probably defer to
5 Kristen and Stephen on the regulatory aspect of it. Of
6 course, we're -- and this is government wide, not just
7 Bureau of Indian Affairs on a regulatory amendment.
8 It's governed by certain regulations how it takes place,
9 and that's what's set forth there. That's the process
10 that the regulations require. Of course there's not a
11 deadline there that says the final rule will be in
12 place. It's 60 days after final comment, public
13 comments are submitted or anything like that. There is
14 a process on the back end.

15 CHIEF STANDING BEAR: Well, let me just put it
16 this way. After this meeting, can we schedule further
17 discussions on this issue because we are not done yet?

18 MR. STREATER: As we said earlier, Bart and I
19 both committed to briefing the Assistant Secretary on
20 what's transpired today. And we will do that early next
21 week.

22 CHIEF STANDING BEAR: Okay. Well, let me try
23 again.

24 MR. STREATER: Chief, I don't --

25 CHIEF STANDING BEAR: I won't do it.

1 MR. STREATER: I can't answer that. We will
2 have to talk with --

3 CHIEF STANDING BEAR: Well, we're
4 requesting -- Councilman Revard made that request
5 earlier and I wanted to go back to that request.

6 MR. STREATER: Certainly. If the Nation, the
7 Minerals Council want to send in something official to
8 that, we will certainly send that up in line too.

9 MR. WILSON: We will be glad to send another
10 letter. That's what we asked for February '22, the
11 congressional delegation. I think we can get their
12 support. And we'll be happy to put together another
13 letter. Of course we are not going to let April 7th
14 deadline go by. So, we did final comments there as
15 well. But the request was to -- well, not let the
16 regulations come out in the first place, but to set them
17 aside and to get together and start talking about this
18 stuff.

19 Now, there's the saying of too little, too
20 late. This is too much, too late. And we're at the
21 decline here. We're in a transition period. We are
22 figuring out what the future of the mineral estate is
23 going to be. And we are trying to implement regulations
24 that are kind of state of the art for 1990 and early
25 2000's. That's not where we're at right now. We are in

1 a different place. We're trying to negotiate new deals.
2 Trying to find new value for headright owners. And need
3 those regulations to make along in a way that will make
4 that happen.

5 If we could just turn to the Regulatory Impact
6 Analysis a little bit. I know that it was only an
7 initial analysis. But just to get it on the record as a
8 part of our discussion here today, it looks to us like
9 BIA wrote off the conclusions of this analysis a little
10 too quickly. Now, I realize that these economist people
11 have to kind of match numbers and come up with an
12 average and everything. But it looks -- reading this
13 text here and the kind of study they did, that the
14 impact on small business is going to be substantial. As
15 we look at it, there's -- I think these folks have
16 numbers of like 286 leases. And based on the kind of
17 production that a lot of these people get, we suspect
18 about 200 of them are going to be out of business. And
19 that's not even kind of considering the bonding stuff
20 that Paul's talking about. That's just kind of pure
21 regulatory costs in trying to bring their operations
22 under the new regulatory regime once the grandfathering
23 wears out or they try to do something new, like re-work
24 a well, and now they are subject to the new regulations.

25 So, okay. So, that's what the economist folks

1 figured out. The BIA apparently didn't think that was a
2 big enough analysis or big enough impact. But then
3 there's sort of another aspect to this too where -- and
4 I'll try to turn to the page or maybe I have it
5 somewhere here. Part of the reason why it seems like
6 this did not kind of trigger for the BIA, a big enough
7 substantial impact, that a full regulatory analysis was
8 going to be needed, were sort of the three excuses for
9 why it wasn't going to be a big impact. And the three
10 excuses were along the lines of folks are already So,
11 tied into their existing investments that they are not
12 going to go elsewhere. Well, the mineral estate has
13 been producing oil for So, long now that a lot of
14 investment costs are gone. They've been paid for.
15 We've forgotten about them. Nobody cares about those
16 any more. The other thing too is the folks that wrote
17 your study said, well, these regulations are applicable
18 all across Indian Country. So, they are not going to be
19 able to go to all the places in Indian Country and find
20 different rules. Well, they don't need to go to other
21 places in Indian Country. They can just go across the
22 county line to state or fee land, places where those
23 other jurisdictions where there's a lot less regulatory
24 requirement.

25 The other thing too is that we've already got

1 more abandoned wells than any other place in Indian
2 Country. So, I think there's no fear here around
3 abandoning wells. And the whole idea I think contained
4 in this report was, folks are So, locked in under the
5 current regulations or the new regulations, they are not
6 going to be able to escape and leave.

7 That just didn't strike us kind of like a good
8 government approach. The regulations as Paul and
9 Council have been saying should be about building value
10 in the mineral estate and not trying to lock people into
11 a losing deal. And that's kind of the way this reads
12 and the way it comes across. Like, there is no
13 substantial impact because you're locked in. You're not
14 going to be able to leave anyway. That's not the sort
15 of thing that we want to promote. And the Council's
16 looking for regulations that suggest new development,
17 new alternatives, new ways of building value. And So,
18 that there is no substantial impact because people will
19 want to stay here and be a part of that new value
20 creation rather than being locked into something that
21 they can't leave.

22 So, just it kind of comes across the wrong
23 way. It just feels like it's looking at the wrong side
24 of things. And, you know, the Regulatory Impact
25 Analysis was a big deal in 2015 when first rule came

1 out. And the lack of an economic analysis. And it's a
2 really important part, I think, to what gets done here,
3 particularly as we look at the new rules as too much too
4 late. It's just the wrong approach at the wrong time.
5 And trying to figure out through a series of meetings,
6 which is what we are hoping we can get into here, figure
7 out a way forward that we can keep that value for the
8 mineral estate as Mr. Simpson says, you know, you've got
9 trust responsibility to ensure that that value is there.
10 And we hope to be able to work that out with you over
11 sort of a series of meetings.

12 MR. REDCORN: If I may, just a real quick
13 comment. Team mentioned the Wind River. And I think
14 the last time we talked you all were asking me, because
15 I heard about it. And So, I was kind of encouraged what
16 you were saying about Wind River. That you are saying,
17 yeah, there is an opportunity going in Indian Country.
18 But guess what guys, I'm hearing they are going around
19 that lease process. Is that what I'm hearing?

20 MR. SIMPSON: Yes.

21 MR. REDCORN: Okay. And So, then I know they
22 quadrupled their return up there.

23 MR. SIMPSON: I believe you. I don't know.

24 MR. REDCORN: I have friends up there and they
25 are telling me that. So, I just want to make sure

1 whatever we do going forward, do we need to have more
2 meetings? We just want to make sure, you know, whatever
3 growth, as our attorney's saying, to build value as a
4 Cauigau saying we might need to re-think this whole
5 process because we are leaving barrels on the table
6 here.

7 So, I'm just pitching this. From what I'm
8 reading and what we are trying to do, we just don't want
9 to cut that off. Does that need more meetings? Are you
10 saying we don't? If you are going to go around the
11 lease process, you know, we'll end it there. I just
12 want to make sure going forward we're still in the ball
13 game because we are looking at some, you know, maybe
14 changing direction or if that's even a possibility. So,
15 on our end we can make those discussions and look at
16 those opportunities.

17 MR. SIMPSON: There's sort of two models out
18 in Indian Country right now. As I said, Wind River is
19 doing it -- the way they are doing it is through --
20 directly through their tribal government. They have
21 their minerals office taking the lead and they are doing
22 it completely in-house. Okay.

23 What is happening at Southern Ute and what is
24 happening at Jicarilla and Navajo and Three Affiliated
25 is it they are entering into leases with their own

1 companies. We administer -- we treat those leases as
2 any other federal lease. As any other Indian lease
3 rather. But it is with their own company. So,, you
4 know, but they the company is still paying royalties and
5 the company is doing all that. The tribal lawyer -- one
6 of the tribal lawyers at Southern Ute told me that they
7 were doing that -- they were doing that for a long time
8 with -- as leases with their own company, with royalty
9 payments from the company to the Tribe, et cetera. So,
10 that all of the tribal members knew that everything was
11 on the up and up. Okay. So, that's sort of the two
12 models. Is, you know, either doing it -- I mean, you
13 can -- is doing it on your own without leases or doing
14 it with leases, you could -- a tribe could also just
15 enter into some arrangement with its company to not do a
16 lease if you want. We have not seen that yet.

17 The other possibility, and I think we may have
18 talked to you about this, is what Red Lake is doing,
19 which is not oil and gas or even minerals. They are
20 getting into -- they are doing wind. But they are the
21 first tribe to have approved a TEDO, a Tribal Energy
22 Development Company, which is majority owned by the
23 Tribe. It's under the 2018 amendments to the same
24 statute that did Terra's. It's majority owned by the
25 Tribe. Set up under tribal law. And the remaining

1 majority owned by the Tribe. And it is certified as a
2 Tribal Energy Development Organization to one of
3 Mr. Revard's earlier questions, that takes a maximum of
4 90 days, that certification. It's done by the Assistant
5 Secretary and it takes 90 days by statute.

6 And what that means is that the Secretary --
7 the Tribe can enter into leases with that TEDO that the
8 Secretary does not have to approve. They are still --
9 you know, they are still leases and you know. But it
10 cuts out a lot of the approval process for those leases.
11 So,, you know, those are options.

12 And every one of those is outside of these
13 regulations. Okay. They are not -- none of that is
14 treated in these regulations. None of that's within the
15 scope of these regulations. Or for that matter, the
16 1906 Act. You were talking earlier about flexibility
17 with agreements too. Remember that the other option for
18 those is an Indian Mineral Development Act agreement,
19 which the Nation can do, is not under the 1906 Act, it's
20 under the Indian Mineral Development Act of 1982. But
21 the purpose of that is for the Tribe to have more
22 flexibility in structuring agreements and in figuring
23 all of that out.

24 Unlike the Indian Mineral Leasing Act of 1938
25 that the Tribe is exempt from, or doesn't apply to

1 Osage, the 1982 Act does not have that same provision.
2 So, it does apply here. And you could -- you could do
3 an IMDA agreement, which is pretty much completely
4 negotiated by the -- well, it is completely negotiated
5 by the Tribe. We have a lot of flexibility with, if you
6 request it, technical assistance from the BIA and the
7 rest of the federal government in negotiating that
8 agreement. So, you can take a look at that too. Those
9 regulations are under 25 CFR 225.

10 So, there's a suite of options for you to
11 consider.

12 MR. REDCORN: Just a follow-up comment. I
13 appreciate that. That's educated me on our options here
14 post around the leasing. I appreciate the
15 clarification. Just an FYI, the same company that's
16 doing the Wind River did the engineering report for us.
17 And of course I asked them how do we compare, Osage to
18 what you're seeing up there. And he said, you guys have
19 a ton lot more -- a lot more production, you know, than
20 what I'm dealing with up here. Just not even
21 comparable. And I was like, we got to get busy, Mineral
22 Council, and get these things moving. In my view, I
23 just want -- yeah. I don't want to continue saying what
24 I'm saying.

25 MR. SIMPSON: I was just going to give you one

1 more caveat. The Wind River piece right now is just on
2 one field, one gas field. They have other gas fields up
3 there and they haven't even talked -- well, they may
4 have talked about it. I don't know. But they have not
5 talked to us yet about going into oil, which they also
6 have up there. But they started off with this one gas
7 field. And yes. My understanding is it's going pretty
8 well.

9 MR. REDCORN: Thank you.

10 MR. REVARD: I have a concern. Paul Revard
11 again. About the Superintendent's responsibility under
12 the current CFR's. I believe that no well shall be
13 plugged unless or until it's to the satisfaction of the
14 Superintendent, that it is either no longer capable of
15 commercial production or maybe not that specific. But
16 something to that effect. So, I do know that we have
17 wells being plugged and ordered to be plugged that are
18 not evaluated. I was told by Robin Phillips,
19 Superintendent Phillips, at one time we don't have the
20 engineering staff to evaluate all of these. But I don't
21 know specifically in this particular document how you
22 address that. Has that changed? Is there -- is
23 there -- what is the criteria now for a well to be
24 plugged, the evaluation of it? Who -- is the
25 Superintendent still need to be satisfied or not?

1 MS. KOKINOS: Yes. But there's one caveat
2 about the current regulations. So, over time in between
3 the most recent changes and the 1970's changes, there
4 was an odd -- I don't believe it was an intentional
5 change to that provision. So, the current regs say, no
6 productive well shall be abandoned until it's lack of
7 further profitable production of oil and/or gas has been
8 demonstrated to the satisfaction of the Superintendent.

9 That provision is supposed to be about
10 temporary abandonment -- or permanent abandonment of
11 producing wells. But the language got twisted and there
12 were a couple of provisions that got merged that made it
13 a little odd here. So, we tried to make that clearer,
14 the difference between the temporary and permanent.

15 MR. REVARD: So, what is it?

16 MS. KOKINOS: The Superintendent would still
17 have to be satisfied. If you were -- if you have a well
18 that is actively producing and you're reporting
19 production and you want to plug it and abandon it, you
20 would have to show that it's not profitable, even though
21 it's producing because it's actively producing at that
22 moment. That's still required. So, you wouldn't be
23 able to have an actively producing well and just decide,
24 I'm done, without the Superintendent being satisfied
25 that further profitable production from that well is not

1 possible.

2 MR. REVARD: Okay. Let's go back to my early
3 morning discussion about the 28 wells, 21 of them are
4 shut in. If that producer was able to -- died and the
5 heirs didn't want it, now there is 28 orphaned abandoned
6 wells you, no current operator of record. BIA is going
7 to call the bond on three tracts. They are going to
8 pick up 15 grand. And the Superintendent today, under
9 the current CFR's, will be writing a letter to the
10 operator, even though the operator is deceased. I've
11 seen that happen all the time, writing letters to
12 deceased people. And demanding that these wells --
13 you'll send out the letter first, the Superintendent
14 will. And she's just -- our new Superintendent's
15 probably just learning some of these rules, regs and
16 procedures. Some of these are policies that not -- that
17 we don't even know or understand some of them because
18 they are just -- were developed by the last
19 Superintendent. But I think there's a show cause letter
20 I think is what it was called. Where it was a courtesy
21 letter which is appreciated. I think the Osage Mineral
22 Council former insisted that the Superintendent start
23 doing this. Is to give the operator an opportunity to
24 explain why this lease is no longer producing before
25 they take drastic action. And depending on the

1 response, lack of response, or they are not satisfied
2 with the response, they determine that the lease needs
3 to be terminated due to lack of production. They will
4 send out a subsequent letter demanding that the wells be
5 plugged and abandoned within 90 days, and equipment
6 removed within 90 days.

7 So, in the instance of the 28 wells, they are
8 going to send out that show cause letter to a deceased
9 individual. And they are not going to --

10 MS. KOKINOS: Not any more they don't.

11 MR. REVARD: What?

12 MS. KOKINOS: Not any more they don't. We are
13 generally not going to be continuing to send letters to
14 dead people.

15 MR. REVARD: So, you won't be sending -- I
16 guess you'll hear through the grapevine that, oh, that
17 guy died, So, I'm not going to send him a letter.

18 MS. KOKINOS: Right. If we know someone is
19 deceased.

20 MR. REVARD: If you know. You are not going
21 to ask for proof of death or anything like that. Okay.
22 Anyway, let's don't get in the weeds about that. I'm
23 sorry. I shouldn't have even said that. So, the
24 individual's deceased. The 28 wells are there. Most,
25 if not all of them, are capable of production. Just

1 because the last operator didn't produce it doesn't mean
2 that they are not capable of production. Maybe they
3 were just -- didn't have money. Maybe they had a cash
4 call on one of their operations in Alberta, Calgary are
5 Canada.

6 So, what is the procedure for -- right now the
7 Superintendent will send out a demand letter that the
8 wells be plugged. And I'll give you an example and
9 you're familiar with it is the CEP. The CEP wells.
10 When it got discovered or brought to the attention of
11 the Superintendent's office that, oh my god, I'm looking
12 at a list of all these abandoned wells and, dang, CEP,
13 CEP. We need to look into that. And maybe they -- they
14 found 41 wells that all of a sudden been shut in for
15 years and leases have been -- they were forfeited. They
16 were under a concession, most of them were. For coal
17 bed methane. And they decided because of economical
18 reasons it wasn't feasible to continue the concession
19 So, they let the concession go. They got out from
20 underneath their drilling obligation. And that left all
21 these wells out there with no leasehold. And many of
22 these only had coal bed methane rights.

23 So, just because the coal bed methane for this
24 operator wasn't commercial, economical for them to
25 produce, well, they didn't own the zone from the surface

1 to that zone, the coal bed methane, and they didn't own
2 from the base of the coal bed methane to the center of
3 the earth either. So, what may be economical and
4 feasible for them to produce, they didn't have the right
5 to produce up here or down here. So, in their mind that
6 well is not economical, So, we are shutting it in. But
7 the Superintendent, she'll look at that and think, gosh,
8 they only had coal bed methane rights. What about the
9 Bartlesville? The sand the Cleveland's in. How about
10 the Mississippi Chat. How about the Arbuckle. Above
11 and below the zone. But instead, Superintendent sent
12 out demand letter that all 41 wells be plugged within 90
13 days, which was impossible.

14 MS. KOKINOS: It's also the wrong standard.
15 It's an error in the way the letter was written.

16 MR. REVARD: Oh, was it?

17 MS. KOKINOS: Yeah. That will be corrected a
18 well.

19 MR. REVARD: So, what is the new deal? What's
20 the new deal? What's the procedure now? The instance
21 of the 28 wells, what would you do in those 28 wells.

22 MS. KOKINOS: Well, the issue that the BIA is
23 faced with it that we don't want to support the
24 proliferation of orphaned wells by allowing people who
25 have the financial responsibility and means to plug them

1 off the hook. But we obviously don't want to -- if
2 there are parties who are interested in taking over
3 those wells for any other purpose, not just coal bed
4 methane, we want that to be out there. So, there is
5 engagement with the Minerals Council. You are copied on
6 the notices and all of those things. If you needed time
7 to market them or things like that, certainly that's
8 something that can be negotiated. It's certainly a
9 possibility under the current regs and the new one.

10 MR. REVARD: Are you going to write that --
11 the heirs of that owner and demand they be plugged?
12 That's what you did with the Continental wells that you
13 mentioned just a minute ago. The reason those wells
14 weren't produced is because the guy got health issues.
15 And he was financially burdened. So, it was not a
16 possibility. They had value. We all know they have
17 value and we had people knocking our doors down wanting
18 those properties. Don't we, Chairman?

19 CHAIRMAN WALLER: Yes.

20 MR. REVARD: But yet there's three letters
21 that got mailed to the family demanding that all 83
22 wells be plugged. We've asked you, Chairman Waller has
23 written the Superintendent a letter. We haven't heard
24 back to my knowledge.

25 MS. KOKINOS: The decision was issued. Was it

1 not, Julie?

2 MS. ANDERSON: It was.

3 MR. REVARD: What is the decision on that?

4 MS. KOKINOS: The decision is that they are
5 orphaned wells. Those Continental wells qualify as
6 orphaned wells under your existing 638 contract with the
7 orphaned well plugging program. The leases were
8 canceled under the current regs. That means that all
9 equipment on that property reverts to the Osage Nation
10 as the lessor, you own all of the equipment. You can
11 market them or do whatever you want. There's no one to
12 plug them. There is no bond as we know because of the
13 other issues with the other Continental leases.

14 MR. REVARD: They are going on the orphaned
15 well list?

16 MS. KOKINOS: They are. There's no one to
17 plug them. There isn't a bond. So, they are
18 technically orphaned wells. You can market them. Or
19 you can plug them under the orphaned well program.
20 That's up to you.

21 MR. REVARD: Okay. That's interesting. Well,
22 what are you going to do with the 28 wells I just
23 mentioned?

24 MS. KOKINOS: If there's no one who can -- if
25 there's no buyer that's going to come in that wants to

1 take them over in a reasonable amount of time --

2 MR. REVARD: They'll be orphaned abandoned
3 wells?

4 MS. KOKINOS: No. We don't want them to be.
5 So, we can't just let them sit there.

6 MR. REVARD: Why would you want the
7 Continental wells be orphaned then, because they are.

8 MS. KOKINOS: Because they just are.

9 MR. REVARD: These 28 wells are too the day
10 the guy died.

11 MS. KOKINOS: But you were saying there would
12 be people who would be interested in --

13 MR. REVARD: No. Nobody.

14 MS. KOKINOS: If there's a bond --

15 MR. REVARD: \$15,000.

16 MS. KOKINOS: We would take the bond.
17 Obviously that's not enough to plug, which means they
18 would be potentially orphaned wells if that company no
19 longer exists.

20 MR. REVARD: I asked you all during the
21 biannual consultation, I would like to know the number
22 of those kind of wells out there. Because instead of
23 our list of 1602 orphaned abandoned wells, we really
24 probably have 20,000 that are near -- that are going to
25 be orphaned abandoned very soon. I would like to know

1 that number. It's important for us to know.

2 MR. STREATER: I believe, Candy, if I'm not
3 mistaken, part of the congressionally-appropriated funds
4 for that, part of it was for the contractor to create an
5 orphan well list. Is that not correct? I think we
6 said -- with the Nation we said --

7 MR. REVARD: No. Excuse me. These won't -- I
8 know that the numbers I'm talking about, the 10 or
9 20,000 additional orphaned abandoned wells, I know those
10 aren't orphaned abandoned wells now. They are going to
11 be soon and we all know that. I just told you of a
12 situation that I'm familiar with that will be very soon.
13 And I just wanted to know, and I think it's our
14 responsibility to be able to look down the road a little
15 ways, and try to predict some of this stuff and deal
16 with it now before it happens. So, that's a number that
17 I still have requested and that request is still
18 pending. And it's not been enough time for you all to
19 actually have acted on it yet. I'm not saying that you
20 are delinquent in answering that. But it is -- I was
21 just wanting to know what the policy was and the
22 responsibility. Is our new Superintendent going to have
23 the petroleum engineers available to her to evaluate
24 these wells and not let them get plugged.

25 MS. KOKINOS: Before a letter ever goes out

1 saying the lease terminated for lack of production, the
2 field ops group goes out and takes a look to inspect the
3 well and see, is it producing, is there equipment,
4 what's going on out there, and whether it is or isn't.
5 BIA does not have the funding to be doing full well
6 evaluations, down-hole evaluations to see if something
7 is capable of production. That's not currently our
8 requirement under reg or statute.

9 MR. REVARD: So, our trustee is going to allow
10 wellbores that are capable of production to be plugged.

11 MS. KOKINOS: If you can demonstrate they are
12 capable of production --

13 MR. REVARD: No. We are mineral owners. We
14 aren't oil and gas companies. The Osage Mineral Council
15 and the headright owners are not oil and gas producers.

16 MS. KOKINOS: But if the producer is dead he
17 can't --

18 MR. REVARD: Those people are gone. Let's
19 assume they are gone.

20 MS. KOKINOS: Right. So, the producer is
21 dead. And the Minerals Council isn't going to evaluate
22 the well.

23 MR. REVARD: Or put them up for bid and let
24 another producer come in and bid on them and take them
25 over. Okay. So, the Mineral Council doesn't offer them

1 for bid and find a successful bidder for those wells,
2 then you will allow the wells to be plugged?

3 MS. KOKINOS: Yes.

4 MR. REVARD: Okay. That was my question. All
5 right. Thank you.

6 MR. REDCORN: Quick question. Talee Redcorn.
7 How many -- how do we compare to others in Indian
8 Country? Are there a lot of orphan wells in Indian
9 Country? Are we the only one? How does that work?

10 MR. STREATER: There's a lot of orphaned wells
11 in the oil and gas business.

12 MR. SIMPSON: There's a whole lot of orphaned
13 wells in Indian Country. And as Eddie knows, in the
14 whole country in the oil and gas business. Oddly
15 enough, Pennsylvania where all of this started long even
16 before Osage has a ton of them. There are state --
17 there are funds, they came out from the Infrastructure
18 Act states for private and state lands there's funds to
19 beef up the federal program, and there's the tribal
20 funds. And we are still finding more. And it is --
21 there are a lot. All the way across the country.
22 Indian Country and elsewhere.

23 MR. REVARD: I would like to know, early on we
24 talked about the Bureau of Indian Affairs mission
25 statement. And I would like to -- I would like to talk

1 more about attracting more people to the county. I had
2 asked Superintendent Phillips about four years ago when
3 the last time we had a new oil and gas operator come
4 Osage County. And in my five years of being on the
5 Council, four and a half years, I know of only one new
6 operator that came. And apparently did do their due
7 diligence. They came to one of our lease sales, and
8 they picked up.

9 CHAIRMAN WALLER: Fifty.

10 MR. REVARD: Chairman says 50, but it may not
11 have been quite that many. But they picked up a bunch
12 of tracts. And that was back when we were still
13 two-year terms. And it was taking two years to get a
14 drilling permit. And I was sitting up at -- my first
15 lease sale as a Council member, So, it was in 2018. I'm
16 sitting up there, you know, at the tables acting like a
17 big shot I guess. Set up there during the lease sale
18 and all. And this guy's buying tract after tract. And
19 I'm thinking, man, does he not know? How is he going to
20 get this accomplished? Even if you had the money and
21 even had a little more time, you couldn't get rigged.
22 So, that one operator came in and bought a slew of
23 properties. He figures it out after he bought it.
24 Like, where was everybody? How come nobody bid against
25 us? And I guess he went and did a little research and

1 realized the predicament he was in. Got a short term
2 lease. And he didn't realize how long it would take to
3 get a drilling permit. So, he permitted a few wells.
4 Never drilled any. But as you know, our lease sales,
5 the successful bidder has to put a 25 percent deposit at
6 the date of the sale. So, he put the 25 percent down.
7 Then they just let all the leases go. He forfeited the
8 25 percent and never paid the 75 percent balance and
9 left.

10 That was the only -- in four and a half years,
11 that's the only operator that I know of that has come in
12 to our mineral estate when this used to be the magnet
13 for oil and gas companies. Like I said earlier, it was
14 low risk. The return on investment was really
15 reasonable. And I say reasonable. You can pretty much
16 count on the four to one return. To drill a well you
17 would like to have the opportunity to be as high as
18 eight to one, but you're happy with a four to one return
19 and getting your money back in three or four years.
20 That's a pretty sweet deal. And you could do that in
21 Osage County day and night; right?

22 And even though you would drill a dry hole
23 every once in a while, it would be really hard to put
24 together a 10- or 15-well program and not come out
25 successful. My father drilled 24 dry holes in row. And

1 the 25th and 6th hit So, good, big, it paid out the
2 whole program. All right. And he's been around. He
3 wasn't a dummy. But he's a wildcatter. He didn't want
4 to drill some little offset well off of somebody else's
5 back porch. He was looking for better. And he found
6 it. You know, it took him quite a few shots. Just like
7 paying battleship on the kid's game, you know. Each one
8 of those shells that you drop in trying to hit that
9 submarine, you know. Then you got to know if you hit
10 it. This is just, you know, the way I see things. So,
11 is it a two-shot sub? Two pegger. Or is it one of
12 those big long four or five peggers. And then is it
13 going this way or that way. It makes a difference. But
14 the thing is, those pegs cost about \$400,000 a peg. All
15 right? And So, you're pretty good off if you hit that
16 thing the first shot. You know, you got some pre-rolls;
17 right?

18 But my point is, Osage County was really a
19 sweet place to drill. And it still is. It's just
20 the -- I hate to say it front of you all, but it's
21 really regulatory environment is more -- has more
22 adverse affect than the price -- the fluctuation of our
23 oil and gas prices, which is always volatile but we deal
24 with that. That's just a waiting game. Sooner or later
25 the curve goes back up. You just got to hold out.

1 Back to our producers, the mom and pops, that
2 Councilman Redcorn talked about earlier, they are the
3 ones that stayed through the really bad time. The big
4 boys, they went on and played somewhere else. But or
5 mom and pops, they had no place else to go. They were
6 stuck here. This was their backyard. It's all they
7 knew. They weren't diversified. They didn't have stuff
8 in the Permian basin or up in the Bakken. All they knew
9 was Osage County is their backyard and they knew it
10 well. And they stuck it out. And they were our bread
11 and butter. And it's why our royalty owners kept
12 getting -- or headright owners kept getting a little
13 check, you know. Even during the worst of times because
14 it was those people. That's why even though they are
15 just a smidgen of the production, they are really
16 special to us. They are family and friends of ours.
17 And So, that's the uniqueness about us too.

18 So, when you are developing a product like
19 this, you are not taking into consideration the -- I
20 mean, maybe you do, maybe you don't to some degree. But
21 not -- I just want to emphasize, and we have over and
22 over again today, how unique we are, and how we're made
23 up of people like that. Needs to be kept in mind, in
24 the back of your mind. You need to -- every once in a
25 while realize, okay, Chaparral or oil and gas men, or

1 some of these other big boys in Osage County, they can
2 deal with this. And this is just a bump in the road
3 like somebody mentioned earlier. But some of these
4 operators that we have, it's devastating. They just
5 can't come into compliance in some circumstances. So,
6 just please keep that in mind. Thank you.

7 MS. KOKINOS: We certainly do keep it mind.
8 The difficult position that we are in here is that while
9 we know there are lots of small mom and pop operators,
10 we can't just allow them to be essentially unregulated
11 because of their size or position in the county. So,
12 it's a balance we are trying to find between making sure
13 that you are getting the full value of your oil and gas,
14 and also not trying to drive out business, but being
15 reasonable just for the industry as a whole. That makes
16 it sometimes hard for mom and pops. But it is a balance
17 we are trying to find.

18 MR. REVARD: Maybe forming some type of a
19 co-op, you know, to gather all these little ones and to
20 have more capabilities, I guess you would say. Put two
21 guys that don't have a computer with a guy that's got a
22 computer.

23 MR. WILSON: Along these lines, I'm not quite
24 there yet. So, the proposed regulations include or
25 incorporate by reference thousands of pages of industry

1 standards and guide books, trade group standards. And
2 that's a question for us. One, our trustee giving those
3 things that are used across the industry through force
4 of federal law. And then two, managing all of that, and
5 our mom and pops managing all of that. And what -- you
6 know, what control over API does the federal government
7 have if they decide to change a formula? Change a
8 standard? Renumber how their standards are reorganized?
9 Are the regulations going to be subject to -- I mean, I
10 don't know if you do this in other places or not. How
11 do you guys manage that? And you know, how can we
12 communicate to these small producers that, you know,
13 these thousands of pages are -- they are not going to
14 get buried?

15 MR. KOKINOS: It's done nationwide on both
16 federal and Indian lands, API, AGA and GPA standards
17 have been incorporated into regulations. But what
18 happens is in the Federal Register and the Code of
19 Federal Regulations, you can't essentially do a
20 prospective provision where we say, you know, this API
21 standard applies, whatever it is, whenever it changes.
22 So, that's why we had to put the specific provision,
23 section and date. So, whichever standards are in the
24 regs with that date, that is the one that is in effect,
25 even if API, GPA or AGA change their standards. So, in

1 order for us to impose a different version, we would
2 have to update that in the regulations and be proposed
3 with public notice and comment and the whole thing.

4 MR. REVARD: When is our next meeting?

5 CHIEF STANDING BEAR: I was going to say, it's
6 good. I was going to ask you about that. The way it
7 reads is you just have to be responsible for whatever
8 industry changes occur. So, that's good information.

9 MR. KOKINOS: Yeah. No. We can't do that.
10 It's not allowed. So, that's why we have to be So,
11 specific about the chapter, section and the date,
12 specific date.

13 CHIEF STANDING BEAR: I think Councilman had a
14 good question. That was that, Paul?

15 MR. REVARD: When would you suggest that we
16 have our next meeting?

17 MR. STREATER: There is not a scheduled
18 consultation after this one. As we discussed earlier in
19 the day, we are going to go back and Bart and I will
20 speak with the Assistant Secretary and see about a path
21 forward at that point.

22 MR. WILSON: And be sure to include in your
23 discussion the request for a public statement that, you
24 know, the way we would say is that the proposed rule is
25 being put on pause, being put on the shelf until we can

1 have these further meetings. And you know, I think
2 there was a lot of really good discussions today. As we
3 are having these discussions, it occurred to me that,
4 you know, maybe we need to take smaller chunks of this
5 one at a time. I don't know what you guys may propose
6 or what you think. But there were a lot of kind of
7 small chunks of the regulations that seemed like it was
8 worth digging into further.

9 And then also too, I think a discussion about
10 the alternative, you know, recognizing the state of the
11 mineral estate and the transition that we're going
12 through, the level production now, and what the best
13 match-up for regulations is for that now versus -- early
14 in the day, Chief, you mentioned possibly legislation to
15 address, you know, various authorities. Maybe can be
16 done through regulation to ensure that that uniqueness,
17 flexibility and authority of the Council to negotiate is
18 recognized.

19 MR. STREATER: And as we said, it certainly
20 couldn't hurt for the Nation or the OMC to follow up
21 with a letter to the Assistant Secretary as well.

22 CHIEF STANDING BEAR: Right. We support the
23 request for further consultation from the Minerals
24 Council, the Osage Nation does. Clint, we can work on
25 our letter as long as it mirrors the OMC. Thanks.

1 MS. KOKINOS: And you can send those directly
2 to the Assistant Secretary or you're welcome to send
3 them to Eddie or I and we can get them there without the
4 whole mailing process.

5 MR. STREATER: All right. Then we appreciate
6 everybody coming. And we will be in touch soon.

7 (Meeting concluded at 4:52 p.m.)

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C E R T I F I C A T E

STATE OF OKLAHOMA)
) SS:
COUNTY OF COMANCHE)

I, KEVIN LEE IDLEMAN, CSR for the State of Oklahoma, certify that the foregoing proceeding was taken by me in stenotype and thereafter transcribed by computer and is a true and correct transcript of the foregoing proceeding was taken on March 30, 2023, at 9:30 a.m., at 951 West 36th Street N, Tulsa, State of Oklahoma; that I am not an attorney for or a relative of either party, or otherwise interested in this action.

Witness my hand and seal of office on this the 5th of April, 2023.



KEVIN LEE IDLEMAN, CSR
Oklahoma Certified Shorthand Reporter
Certificate No. 01652
Expiration Date: December 31, 2023