



OSAGE NATION MINERALS COUNCIL NEWSLETTER

Osage Minerals Council

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Chairman's Report

Welcome to the inaugural edition of the Osage Minerals Council's Newsletter. It has taken some time to get this newsletter to publication and we are so pleased that we have been able to create a means to communicate with each of you.

The 4th Osage Minerals Council was sworn into office on July 2, 2018 and have been working diligently on your behalf since that first day. We have four incumbents and four first-time elected members, and each and everyone one has been working non-stop to protect the Osage Mineral Estate and its more than 1.4 million acres of sub-surface assets.

We are in a critical time for our oil and gas production. It's not the first time we have seen low production or a downward trend in oil prices, but it is one of the first times in modern days, the minerals estate has been directly strangled by the conflicting policies of the federal government. Our biggest obstacle to production is the U.S. Fish and Wildlife Department's listing of the American Burying Beetle (ABB) on the Endangered Species List. Because the Bureau of Indian

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Orphan Well Committee to Assess Status of 1,602 wells

In 2018, the Osage Minerals Council received a \$176,000 grant from the Bureau of Indian Affairs for the purpose of reviewing orphan wells and assessing their profitability or the necessity to be plugged. The project was launched in December 2018 and will address the status of 1,602 orphan wells. Orphan wells are those where no current lessee is assigned.

The Orphan Well Committee is comprised of OMC Members: Talee Redcorn, Myron Redeagle, Paul Revard and Susan Forman. Also assisting the Committee are Henry Rennick, Lyle Burns and Bill Hessert, as non-voting consultants. OMC Geologist, Bill Lynn, is spearheading all technical surveys.

Upon completion of the surveys and analysis, wells with no value will be categorized by priority and plugged. All wells determined to have tangible value will be considered for return to production availability.

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Affairs has a trust responsibility to our estate, the regulations apply to us in a manner non-tribal entities are exempt. We find ourselves in a catch-22 situation inasmuch as we want to be good stewards of the environment but we also have a need to ensure production of our oil reserves continues. The Council has been working on this issue by engaging federal agencies in consultation to relieve the burden created by the ABB regulations. We will continue advocating our position to the highest level until we get this issue resolved satisfactorily.

Another area that has consumed much of our efforts is the ENEL wind farm lawsuit. It was a tremendous victory for us when the United States Supreme Court denied cert in January 2019, which means the ruling in our favor at the 10th Circuit Court of Appeals stands. While there still remains a significant legal process ahead, we are encouraged by the federal government's decision to join us in holding ENEL liable for the mining and illegal taking of our assets. Our legal team at Fredericks, Peebles and Morgan, LLC have represented us well and the Council is continuing to work with them to determine the next steps in this legal battle.

Lastly, the 4th Osage Minerals Council has undertaken many endeavors that have not been done previously. The Council has engaged in strategic planning with the idea of setting a course toward future development of the estate. The primary focus of the strategic planning is to create a sustainable revenue source for you as our shareholders. Although we are still in the process of finalizing our long-term strategies, we are exploring multiple opportunities for growth and development of the estate. We look forward to rolling out the strategic plan in the next few months and engaging shareholders in dialogue so that we can determine a plan that will not only protect the estate but also sustain its profitability for generations to come.

In closing, please let me say that I am proud of this Council and the direction in which we are moving. We have eight members who are dedicated professionals. Each one has a strong conviction toward protecting and improving the Mineral Estate for all our benefit, and while there remain challenges ahead of us, I have no doubt that we will achieve many great things during this term.

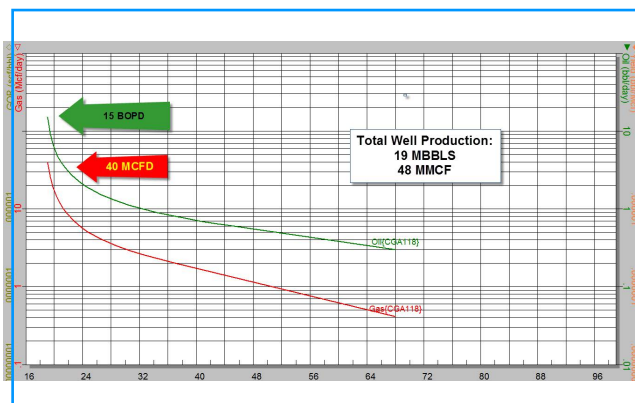
Wa-we-nah.

Challenges to Drilling on the Osage Reservation

There are two critical issues affecting the value in our Mineral Estate earnings: 1) Drastically reduced drilling since July 2014; and 2) The endangered status of the American Burying Beetle (ABB).

In 2013, the average for Osage County oil production was approximately 14,000 bbls/day. Currently, it is 9,900 bbls/day. We have experienced a similar drop in gas production. The graph (shown right) illustrates a typical Osage County decline curve. A decline curve is a projection of the life of production for an oil and gas producing well. Producers use this to determine their economics for spending the capital to drill a well. It answers the question “will

the well be profitable over the life of production after expenses?” Note the initial production drop in the first six months is quite steep. This is the reason continued drilling is so important. While the price of a barrel of oil is a factor in our payments, it is something we cannot control. A producer does have control, in most circumstances, of how many wells are drilled to keep production at a level or increasing pace, thus assuring steady income. With the drastic slowdown in the BIA controlled permitting process in 2014, and the increasing population of the ABB, there have been less than 50 well completions since 2014. Just for comparison’s sake, on average, 200 wells were drilled annually in Osage County prior to 2014.



It is important to note that an “approved drilling permit” does not assure a well is drilled and completed. During a panel discussion, the OMC learned that 40 wells were not drilled last summer due to the presence of the ABB. Forty wells represent a potential of \$10 million in oil and gas royalty payments. The good news is a few producers are currently trying a BIA approved method to control the presence of the ABB, without harming it, during the current hibernation period.

On April 30, 2019, the FWS will release its opinion regarding down-listing or de-listing the ABB from the Endangered Species Act. This will be in the form of a proposed rule requiring a comment period and lengthy process to finalize but is a step in the right direction. Meanwhile, the Minerals Council will continue to explore solutions to streamlining the regulatory processes for approval to drill and complete wells as well as seek remedies to the ABB issue.

By Susan Forman

Wah Tiah Kah Scholarship Awarded to Braden Edwards

The OMC awarded one scholarship for Spring 2019. Congratulations to Braden Edward, a junior enrolled at the University of Tulsa, majoring in electrical engineering.

Osage Attorney General Files Ethics Complaint

The Attorney General’s Office has filed an ethics complaint to address a dispute between two council members. The Tribal Court will hear the matter on May 1, 2019

OMC Takes Steps to Advocate Consistent Policies with Federal Legislators

The Osage Nation has been a longtime supporter of the National Congress of American Indians' policy initiatives and with the new 116th Congress, it's important for the OMC to be in contact with federal legislators.



NCAI Policy - DOI estimates that underdeveloped energy reserves on Indian lands could generate up to \$1 trillion for tribal nations and surrounding communities. Despite this potential, developing energy resources in Indian Country continues to be a challenge. NCAI provided valuable data concerning the Indian Tribal Development and Self-Determination Act Amendments of 2017.

Councilwoman Margo Gray attended the NCAI Conference on behalf of the OMC and along with OMC attorney, Wilson Pipestem. Gray and Pipestem visited with Congressman Frank Lucas (R-OK), as well as 10 other Congressmen and women and DOI appointees to discuss the current policy concerns impacting the Osage Minerals Estate. The result of the visits was a consensus to work alongside the Osage Minerals Council to alleviate the impact of inconsistent policies which have burdened Osage oil and gas production.

By Margo Gray

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