

A nod of the head, a tip of the hat or a wave of the hand and that Osage tribal oil and gas lease was all yours for a price Wednesday at the downtown Hyatt Regency hotel. The Osage Nation and Bureau of Indian Affairs oversaw a lively auction for 18-month leases on 160-acre tracts throughout Osage County. Bidders bit on the leases at prices from \$4,400 to \$60,000 and more. "It's a cool thing," Scott Ducharme, president of Performance Energy Resources LLC, said after his company bought up numerous leases inside the Promenade ballroom. "It's an open forum," he added, bringing Oklahoma oil land negotiations full circle to their 1920s heyday. "The market sets the price." In some ways, the Osage Oil and Gas Lease Auction was like the cattle sale that happens every Monday at the Tulsa Stockyards, except for ornate carpet on the floor and the lack of cowboy hats or any visual of the property being sold. Prospective buyers unfolded their own geologic maps, hoping their homework steered them in the right direction. Everything else, however, was like a typical livestock auction. The auctioneer plowed through dollar figures like a drill bit through clay, while bid spotters bobbed back-and-forth shouting "Up!" whenever a would-be buyer took the bait. Dan Boyd, a petroleum geologist with the Oklahoma Geological Survey, noted the advantages of the public setting offered by the Osage Nation and BIA. Most times an oil and gas company's land man will go to a county courthouse, determine the property owners and go negotiate with them. No worries for landmen or lawyers here, for the most part. The tribe handles it all directly with the producer. "You can get the cleanest lease in the world," Boyd said. "You don't have to do a title search, don't even need a land department." The producer suddenly has rights to drill within 18 months on those 160 acres. "In one go, just like that," Boyd said. Those quarters of sections of townships or ranges, of course, represent someone's property. The tribe owns mineral rights in Osage County and uses its proceeds to benefit members. Osage Nation Principal Chief John Red Eagle likes watching

the process unfold around him, as "\$4,400, can I get \$5,000" sometimes goes to "\$50,000, going once, going twice. Sold!" The auction also ensures that property leases receive as close to full and fair value as possible according to market conditions. And conditions are good these days, as higher oil prices and new technologies push more energy companies back into domestic fields. "This makes it as open as possible to oil producers, to make it more competitive," Red Eagle said. His favorite part "is just watching the competitiveness of bidders." They were busy Wednesday. Big players such as Encana and Kaiser-Francis bought up some leases, while lesser known names such as Black Lava LLC and SM Oil and Gas also got into the act. Performance Energy Resources certainly made its mark, buying leases on at least 10 tracts in the auction session prior to lunch. Ducharme was having a pretty good time at it, despite parting with \$5,000 here and \$80,000 there. "What better form of capitalism is there than this forum," he said with a smile. Luncheon keynote speaker for the Osage Oil and Gas Summit was David Curtiss, executive director of the American Association of Petroleum Geologists. Other sessions focused on new horizontal drilling in the Mississippi limestone formation and other seismic data issues. The summit continues through Thursday.

Lease history Short history of Osage Nation oil and gas leases 1894: Oil discovered beneath land owned by the Osage Nation. 1906: Osage Allotment Act grants tribal roll members a share of subsurface mineral rights. 1980s: Oil bust causes exploration interest to wane and auctions are suspended. Instead, producers write a letter of inquiry and pay a \$3,250 lease fee, according to reports. 1999: Tribe sues over management of trust assets including natural resources. U.S. government settles case for \$380 million in November 2011. Wednesday: 13th Osage Oil and Gas Lease Auction held downtown. Rod Walton 918-581-8457 rod.walton@tulsaworld.com

SUBHEAD: Bids from \$4,400 to \$60,000 or more on leases OSAGE NATION: OIL AND GAS LEASE AUCTION

Subscribe to Daily Headlines Sign up! * I understand and agree that registration on or use of this site constitutes agreement to its user agreement and privacy

policy.