

OSAGE MINERALS COUNCIL

REGULAR MEETING

MAY 20, 2015

MINUTES

**Call to Order**

Chairman Waller calls the meeting to order at 10:03 A.M.

**Opening Prayer**

Councilman Talee Redcorn requests that Myron Redeagle give the opening prayer.

**Roll Call**

Councilmembers present were Cynthia Boone, Joseph Cheshewalla, Galen Crum, Stephanie Erwin, Kathryn Red Corn, Talee Redcorn, Everett Waller, and Andrew Yates.

Guests in attendance were Joy Ledbetter, Lincoln Sallee, Jinx Geurin, George L Sallee Jr., Florence Bigheart Trantum, Janet Crow, Don Williams, Linda Heskett, Tom Lackey, Sharon Long, Gene Bowline, Julia Roe, Scott Ducharne, Homer Joe Holding, Tom Thralls, Leslie Young, Nona Roach, Henry Rennick, Shane Matson, Myron Redeagle, Sandra Jamison, Charles Wickstrom, JL Holt, Jamie Sicking, and Stewart Parrish.

**Accounting Reports**

Julia Roe gives the S510 report. She states that there was miscellaneous income of \$11,883.88 and interest income of \$4191.61 the checking account \$140,989.97 CDARS account \$233,573.75 No expenses in the month of April. Leslie Young gives the C395 report. She states there is \$206,231.37 in bank account today. The expenditures for April and the year are \$548,204.69 and there is one overage line item that is on the agenda today.

**Auditor Reports**

Jim Swan gives auditor report. He states that total collections for April were \$3,813,679.88. Average price per barrel of oil for March \$45.76. April's highest posted price was \$50.66. The average daily barrels of oil produced in March were 13,622 barrels. Quarterly payment for June is \$4405. Gross production tax paid to the state of Oklahoma is \$483,287.76. Gross barrels for March were 422,305. Royalty Barrels was 66,432. Gross Barrels vs Royalty barrels are 15.73%.

Total oil royalty collected in April \$3,047,240. Total gas royalty was \$304,819. Tank bottom royalty is \$958. Total oil and gas royalty is \$3,353,017. March bonus was \$1.49 per barrel.

### **BIA Reports**

Superintendent Robin Phillips gives BIA reports. She states that Lease management had 2 leases approved, 46 assignments, 14 division orders, and 79 lease terminations. Field operations had 84 lease inspections and follow ups, 63 landowner and lessee meetings, 17 complaints, 22 leak spills inspected, 62 spill/leaks followed up. She state they are going back and ensuring that the property is being restored. 17 gas meters proving, 15 tanks were gauged, 688 purchase run tickets were reviewed and encoded, 67 purchase tank tables encoded into the system, 1 PET attended certification training, and 4 PETs attended the International school of Hydrocarbon measurements. Subsurface received 14 APDs. She states that with the programmatic EA for work overs and pluggings, the agency is in a position to approve those as long as the individuals submit the additional four pictures that are needed. The agency is hoping to be in a position to approve all the pending APDs for work overs and plugging as long as the additional four pictures have been submitted. Enforcement and lease compliance has received 1 revised EA from CEP and 2 questionnaires from DK&K and Wellco. Chaparral and CEP is working with their own consultants for permits. Programmatic EA was approved on April 28<sup>th</sup>. Producing wells is 18076 less 3255 for SWD and other wells for a total of 14834. 14 Applications to drill have been received. There were 0 wells spudded and 8 wells completed. She states the agency is looking at all APDs where completion reports have not been received so she cannot attest that those are new or if they were 2014. Environmental and Lease Enforcement reports that in April 1 was approved and it was the Programmatic EA for work overs. She states she is still working on Cynthia Boone's request for reports for how many leases sold oil and which one sold the most. She says the report is also being prepared for Stephanie Erwin on the rock being removed from the wind farms. She says that according to Richard Winlock, James found trucks were coming in and out of the Burbank gravel pit and going into the wind mill sites. Councilwoman Erwin states she was told they were putting big rocks on the wind mill sites. She states they will start providing a monthly report on gravel, and if there is something else they would like on this report let her know. Councilwoman Erwin asks "even though you are requesting photographs it's already approved?" Superintendent Phillips states that in the programmatic EA they identified the need for additional pictures so that they can use the programmatic EA. Councilwoman Erwin asks in the 63 landowner/lessee meetings what the main issue that they have is. Richard Winlock says that it is providing technical advice, if they had questions over ingress/egress. Councilwoman Erwin asks what it means when they say 12 run tickets figured. Richard Winlock says they compared the tickets of the technician's tickets against the ticket of the transporter. Councilwoman Erwin asks what 24 calculations mean. Mr. Winlock states that it is one of each and they take the total. Councilwoman Boone asks Richard Winlock when he is

going to training. He responds with a year from this coming October. Councilwoman Erwin if they have a policy and procedures? Robin states they have a standard operating procedure. Councilman Crum states on American Environmental letter we made that agreement for a reason and that we need to stick with the \$.60 a ton. Councilman Yates wanted to verify that Sherwood Construction was actually ODOT. Robin Phillips says he is correct. Councilman Redcorn states he would like to be on the next gas meter proving. Chairman Waller asks how it is to be handled if one of the Council members wants to go out and look what would be the procedure. Superintendent states to go through her office so she will know what her staff is doing. Councilwoman Erwin asks "since you don't know what your staff is doing is it possible that they can tell you what they are doing each day?" Robin says that they give a weekly report. She expects the managers ensure the staff is doing what they are hired to do. That is why the Minerals council should go through Jeannine or Robin because they have things that have priority as well. Chairman Waller responds with "that should be the Osage." Councilman Yates asks about training on the new rules and if there is anything else since Friday. Robin states a PowerPoint has been prepared along with frequently asked questions. It will go out hopefully today. Councilman Redcorn says we have a lot of EPA class 2 injection well inspections is there any way we can get a monthly report on that. She states she can ask. Mr. Winlock says it's out of the EPA out of Tulsa. Councilwoman Boone asks if it is safe to say if we take the monthly report and divide each number by 4, and that is what the people are doing in a week. Superintendent says Osage county is a big county so they spend a lot of travel time. Councilman Crum asks about training on Honors. Superintendent Phillips states that she can't really clarify but she will check with them. Councilwoman Erwin said that June is a very busy month because we are Osage. She states Mitch Muton reported that 82% of our leases are already using the Honor system. Councilman Redcorn asks Shane Matson, as chairman of OPA, if it is accurate. Shane Matson asks if he meant 82% outside of Osage county. Robin states no, 82% of our leases. Producers in the audience agree that they do not know what it is. Superintendent Phillips states she will get a clarification tomorrow from Mitch Muton tomorrow in a conference call.

### **Old Business**

P&P Cementing- Councilman Yates states he told Mr. Parrish around noon. P&P Cementing is tabled until 12:30

MOU- Councilman Crum states that he is going to make a suggestion that the council revisit their decision not to be a participating agency in the EIS process. This is due to new information and now knowing that we wouldn't know what it would look like until it is all complete. He states that he felt before that it was a mistake to not be a part of it. He feels that it is imperative that we do our job and help guide them.

Motion is made by Councilman Crum to direct the chairman to sign the MOU with all eight members and become a participating agency. Motion is seconded by Councilman Yates.

Discussion: Councilman Yates states that "we are elected officials with the tasks of developing and managing the minerals estate. We would be negligent in our duties as elected officials charged with developing and managing the minerals estate, and this is a major factor affecting the minerals estate for now and years to come." Councilwoman Boone stated she feels the same way and that is why she voted NO to the negregs and it will diminish the minerals estate. Councilwoman Erwin states they are going to do what they want anyway.

MOTION FAILS: BOONE-NO; CHESHEWALLA-NO; ERWIN-NO; CRUM-YES; K. RED CORN-NO; T. REDCORN-NO; WALLER-NO; YATES- YES

2 -Yes 6 -No

Chairman Waller states we will take a short intermission.

P&P Operating's owner Stewart Parrish states they put in the bid to plug wells last May, and their bid was accepted. They plugged them in December. He has his old tickets and daily log that was made available to the Minerals Council. Councilman Yates states they were the low bid and he did plug the wells. He had all the instructions but didn't apply for a permit to plug and he failed to notify the BIA, but followed their directions. Councilman Yates then states that Superintendent Robin Phillips said that if he has cement tickets they will look it over with the Minerals Council and make a decision. Chairman Waller instructs Mr. Parrish to meet with the BIA.

Spyglass, Shane Matson, requests that the Council goes into executive session.

Motion is made by Councilman Crum to enter executive session. Motion is 2<sup>nd</sup> by Councilwoman Red Corn.

MOTION PASSES: CHESHEWALLA-YES; ERWIN-YES; T. REDCORN-YES; WALLER-YES; YATES-YES; CRUM-YES; K. RED CORN-YES; BOONE-YES

8 -Yes 0 -No

Executive Session Entered at 11:37 A.M.

Motion is made to exit executive session by Councilwoman Red Corn. Motion is 2<sup>nd</sup> by Councilman Crum.

MOTION PASSES: BOONE-YES; CHESHEWALLA-YES; ERWIN-YES; CRUM-YES; K. RED CORN-YES; T. REDCORN-YES; WALLER-YES; YATES-YES;

8 -Yes 0 -No

Executive session exited at 12:25 P.M.

Councilman Crum states that there was one piece of business coming out of executive involving Spyglass. It includes changing the drilling commitment for the concession. It involves staying the horizontal commitment and replacing it with a vertical commitment plus seismic and guaranteed leasing for a certain timeframe. It will also include if the price of oil goes about \$80 per barrel for three months we will renegotiate with intention of adding back a horizontal component.

Motion is made by Councilman Crum to accept Spyglass proposal as proposed with the amendment of the price of oil going above \$80 per barrel for three months Spyglass will return to the Osage Minerals Council to renegotiate adding back in a horizontal component. Motion is 2<sup>nd</sup> by Councilman Yates.

MOTION PASSES: BOONE-YES; CHESHEWALLA-YES; ERWIN-YES; CRUM-YES; K. RED CORN-YES; T. REDCORN-YES; WALLER-YES; YATES- YES

8 -Yes 0 -No

### **New Business**

George Shannon states that he was here Friday and he presented an idea about forming a new LLC. He says he would like for the Council to say it is a good idea, because if they don't it will not go anywhere. Councilman Redcorn states that he would like to get a legal opinion.

Lincoln Sallee speaks on behalf of Sallee Oil Corporation. He states he came before the council last Friday asking for a reinstatement of an oil lease that was terminated. He states that in 2008 they had problems on the lease with a disposal well. He was filling out monthly reports with TA (temporarily abandoned) on them. He asked if there was anything else he was supposed to do. He was told no. In September he received a letter from the BIA stating it was going to be terminated. He understands it is going to take some money to get the lease going and they are willing to make that commitment. Legal description of the lease is SW 32 21 12. Councilman Yates states that Oil lease less coal bed methane is \$3600. Chairman Waller requests that Councilman Yates read the rest, so they will be on record. Councilman Yates states that a Gas lease less coal bed methane is \$3400. Oil and gas lease less coal bed methane is \$4700 Coal bed methane is \$2100 Oil lease with coal bed methane \$5750, gas lease with coal bed methane is \$5550, and oil and gas lease with coal bed methane is \$6800. Councilman Crum adds to the record that those are amounts the Minerals council voted on before the last lease sale.

Councilman Redcorn invites Homer Holding to speak on behalf of the Orphan Well Project. Mr. Holding passes out a business plan (exhibit A). He states that startup funding should come from the Osage Minerals Council because grants take time. He also states that they are going to build up cash reserves and by that time TU engineers will have new plugging technology ready for testing and hopefully there will be grant money.

Motion is made by Councilman Redcorn to name an orphan well beginning committee consisting of Homer Holding, Henry Rennick, and Myron Redeagle. The committee members will have three tasks. 1. Continue to identify additional committee members. 2. Identify and complete a plan with financials to report to the OMC. 3. To identify well locations, working with the BIA, to provide summary of those leases location, bond requirements, division orders, etc. Motion is 2<sup>nd</sup> by Councilman Crum.

Discussion: Councilman Crum states that in Homer's presentation it is required to be funded by the Minerals Council and states Councilman Redcorn's did not require funding. Councilman Redcorn states that is correct.

MOTION PASSES: CRUM-YES; ERWIN-YES; K. RED CORN-YES; T. REDCORN-YES; WALLER-YES; YATES-YES; BOONE-YES; CHESHEWALLA-YES;

8 -Yes 0 -No

Councilwoman Boone states that there is a resolution in the books about the American Burying Beetle.

Motion is made by Councilwoman Boone to approve the resolution to co-sponsor, along with the Osage Producers Association, a paper regarding the American Burying Beetle. The amount will not exceed \$1300 to come out of the S510. Motion is 2<sup>nd</sup> Chairman Waller.

MOTION PASSES: ERWIN-YES; K. RED CORN-YES; T. REDCORN-YES; WALLER-YES; YATES- YES; BOONE-YES; CHESHEWALLA-YES; CRUM-YES

8 -Yes 0 -No

Councilman Cheshewalla states that we have been contacted by the Chilocco Alumni Association in regards to the Coming Home Celebration that is May 29<sup>th</sup> at First Council. They will also be honoring the 45<sup>th</sup> infantry division.

Motion is made by Councilman Cheshewalla to allocate funds in the amount of \$1000 to the Chilocco Alumni Association for the Coming Home Celebration. Motion is 2<sup>nd</sup> by Chairman Waller.

Discussion: To come out of C395 advertising.

MOTION PASSES: K. RED CORN-YES; T. REDCORN-YES; WALLER-YES; YATES- YES; BOONE-YES; CHESHEWALLA-YES; CRUM-YES; ERWIN-YES;

8 -Yes 0 -No

Chairman Waller states that Items F and G are tabled until Friday June 12<sup>th</sup> at the request of Councilwoman Erwin. There was no other discussion.

Councilwoman Erwin makes the motion that the Minerals Council approves the resolution asking to initiate legal action for the purposes of staying 25 CFR 226. Also authorizes Fredericks to initiate action for the purpose of staying 25 CFR 226. Motion is 2<sup>nd</sup> by Councilwoman Boone.

Discussion: Councilman Crum states that he is confused about procedure. He states that we are getting off of normal procedure in presenting on Wednesday and voting on Friday. Councilman Crum wants to know what everyone does not like about the 25 CFRs. Councilwoman Erwin states that she does not like them because they use the Osage Tribe and the Osage Nation as one in the same and they are not the same. That is an attempt at a conveyance of property. Chairman Waller states we should table it. Councilwoman Boone states "I do not agree with that, because time is of the essence. I am not going to get in a tit for tat against Councilman Crum. This is not the arena for that. I went to every listening conference everywhere I went, I signed off and spoke what I did not like. If he wasn't listening that is his problem. Time is of the essence here. We have had the integrity of a vote not once but twice. I'm asking for the call of the question. We can move forward on this. We can't afford to roll over play dead and wait another month. "

MOTION PASSES: T. REDCORN-YES; WALLER-YES; YATES- NO; BOONE-YES; CHESHEWALLA-YES; CRUM-NO; ERWIN-YES; K. RED CORN-YES;

6 -Yes 2 -No

Councilwoman Erwin makes the motion that the OMC hereby approves and submits the attached recommendations for Osage Leases and Gas purchase contract. Motion is 2<sup>nd</sup> by Councilwoman Boone.

Discussion: Councilman Yates state that he would like to go back to when things were presented on Friday and then voted for on Wednesday. He would like to go back to that. He also would like to know if Susan Foreman has put her opinion on the addendum. Councilwoman Erwin states that she believes Mr. Fredericks and Susan Foreman worked together.

MOTION PASSES: WALLER-YES; YATES- NO; BOONE-YES; CHESHEWALLA-YES; CRUM-YES; ERWIN-YES; K. RED CORN-YES; T. REDCORN-YES;

7 -Yes 1 -No

Chairman Waller makes the motion to approve the budget modification for 2015 C395. Money was moved from travel to the attorney fee. Motion is 2<sup>nd</sup> by Councilwoman Red Corn.

MOTION PASSES: YATES- YES; BOONE-YES; CHESHEWALLA-YES; CRUM-YES; ERWIN-YES; K. RED CORN-YES; T. REDCORN-YES; WALLER-YES;

8 -Yes 0 -No

Councilwoman Red Corn makes the motion to approve the 2016 C395 Budget. Motion is 2<sup>nd</sup> by Chairman Waller.

MOTION PASSES: BOONE-YES; CHESHEWALLA-YES; CRUM-YES; ERWIN-YES; K. RED CORN-YES; T. REDCORN-YES; WALLER-YES; YATES- YES

8 -Yes 0 -No

Councilman Crum states that he wants it on the record that we voted today to take legal action and it was very unspecific. He voted no and he has not advocated his responsibilities to have input in how that is taken. Everyone on the Minerals Council needs to have input on it.

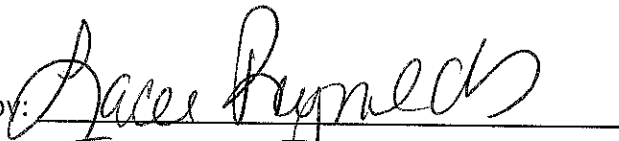
Motion to adjourn is made by Councilman Redcorn. Motion is 2<sup>nd</sup> by Councilwoman Erwin.

MOTION PASSES: CHESHEWALLA-YES; CRUM-YES; ERWIN-YES; K. RED CORN-YES; T. REDCORN-YES; WALLER-YES; YATES- YES; BOONE-YES

8 -Yes 0 -No

Meeting adjourned at 2:24 P.M.

Minutes Submitted by:



Minutes Approved by:

