

OSAGE MINERALS COUNCIL

REGULAR MEETING

April 22, 2015

MINUTES

Call to Order

Chairman Waller calls the meeting of the Osage Minerals Council to order at 10:01 A.M.

Opening Prayer

Councilman Redcorn asks Myron Redeagle to lead prayer.

Roll Call

Lacey Reynolds calls roll. Osage Minerals Council members present were Andrew Yates, Galen Crum, Cynthia Boone, Joseph Cheshewalla, Stephanie Erwin, Talee Redcorn, and Everett Waller.

Guests in attendance were Tom Thralls, Jinx Geurin, Gene Bowline, Nona Roach, Julia Roe, Leslie Young, Jack Rayburn, Randy Dildine, Steve Sewell, Jim Knipe, Tony Benavides, Bob Knappe, J.L. Holt, Jamie Sicking, Wayne Porter, Tim Pinney, Sid Anderson, Florence Tranum Bigheart, Teresa Bates Rutheford, and Marcy Graham

Accountant Reports

Julia Roe gives S510 report. March expenses were newsletter. Checking account has \$140,966.80 and the Cedars account is \$233,487.35 Leslie Young states the Minerals council account is \$276,170.51 for the month of March the third draw down was made to total \$750,000 for the year. \$489,459.37 has been spent. A budget modification will be needed to pay attorney. Akin Gump gets a big portion of the budgeted for the attorney.

Auditor Report

Jim Swan gives report. Total collections were \$311,2430.41 average price per barrel of oil in February was \$48.95 average highest posted price is \$44.27. Today the price is \$52.75. Average daily barrels produced in February 12,474 barrels. Gross barrels produced in February were 349,445 barrels. Royalty barrels produced in February was 55,061. Gross barrels versus royalty barrels are 15.76%. Total Oil royalties collected in March \$2,696,623, total gas royalties collected in March \$351,364, tank bottom is \$1,585 for a total of \$3,049,572. The average bonus for February is \$1.52 per barrel. Councilman Redcorn asks for data on gas. Mr. Swan states he has a report he can give him.

BIA Reports

Superintendent Robin Phillips speaks on behalf of the Osage Agency along with Charles Hurlburt. 28 leases 71 assignments 32 division orders were approved and 32 lease terminations were processed. Lease management reported 18076 less 3255, for salt water disposal well, for a total of 14834 well count. Subsurface approved ten 10 permits to Performance Energy and they have drilled 7 of the 10. BIA lease enforcement and compliance completed the assessment for Performance Energy and placed it on the website. She states that they have the following pending EA's they are working on for drilling. They are 2 for Sparks 2 for Wellco and 2 for DK&K. She states they are also working on 6 permits with Chaparral and 4 for CEP. During February and March they received 3 Environmental Assessments which includes the one processed for Performance. Field Operations reports 4 trucking permits, 30 leases for primary term checked, 7 complaints received, 32 spills inspected, 72 spills followed up, 17 gas meters proving 43 tanks were gauged and 34 calculations. Chairman Waller asks if the other companies match up with the EA that's been used and approved. Superintendent Phillips states that the other ones are using a template that the BIA used previously. Councilman Crum asks about the problematic EA for Workovers. Ms. Phillips states we are getting closer. Councilwoman Erwin asks how long it took to approve the lease from the lease sale. Robin Phillips answers that they were approved the same day the Programmatic EA was approved. Councilwoman Boone requests a copy of the report. Councilman Redcorn says that in the FONSI the EIS is not required. Mr. Hurlburt explains that if we do an EIS over the program it will be easier to get clearance. The idea behind the EIS is that there are some things that cannot get a FONSI. Councilman Redcorn asks what triggered the EIS. Mr. Hurlburt states that they had to look at the whole NEPA process due to lawsuits and a sister agency did a resource management plan so they had the opportunity to get in with them for less money.

Councilwoman Erwin asks what the problems were with the NEPA process in general.

Charles: "the biggest problem is we got sued. When, this is a general statement, we get sued our lawyers look at all the relevant documents, that's what they ought to do, and the EA we have been working with since I started is out of date."

Robin: "you mean.."

Charles: "Can I not say that"

Charles: "I may be getting too deep but basically what they said was we need a more up to date more complete document. We are going to have to do it one way or the other. Unfortunately what we were trying to do is what we ended up with now. Every well has to have an EA. It may be a 10 well program like Performance but we will have to have the document for that well."

Waller: "Yes excuse me, superintendent."

Robin: "It should be noted that the work on the EIS has been in place for over a year. "

Waller: "Yes since 2013."

Robin: "yeah"

Erwin: "I'm just kind of curious there because in the NEPA regs that workovers were categorically exclusion on them and we are still requiring and EA on them. Did you guys have problems with that?"

Charles: "That's the issue there is a categorical exclusion on land conveyance when there is no change in land use. I don't have it with me but I can get you a copy of all the CE categories. That is not exactly a permit."

Erwin: "I have been talking to attorneys' about that and that seems to be a big deal that our workovers aren't being processed and I had it said to me that the NEPA gives it a categorical exclusion to the workovers since it is already there anyway. There hasn't been anything else done but they need to go in there and do the workovers so they can produce oil. "

Charles: I am certainly not going to argue that it needs to be done or don't need to be done but I don't think there is a categorical exclusion that allows us to do that. Believe me I have looked. I used to be ...(inaudible) duty basis, Ben's job now so we tried to look for anything we can find.

Councilman Crum asks if the fact that we were piggy backing on the BLM does that bring any regulations into Osage County. Charles says no. Councilman Crum says that they are prohibited by law.

Superintendent Phillips agrees. Councilman Yates asks about the letter in the inbox on gas contracts extension. He asks if those are being reviewed by our gas expert. Chairman Waller states yes we are waiting for her to complete the review. Superintendent says the Agency is trying to get the contracts in and to the gas expert.

Councilman Crum would like to add Candy Creek and Devon. Chairman Waller agrees.

Councilman Yates states Davis wants to be in executive.

Councilman Redcorn requests that the BIA submit their report to the Minerals Council early enough to be put in the book.

Motion to enter executive is made by Councilman Yates and 2nd by Councilman Crum.

VOTING: CHESHEWALLA-YES, CRUM-YES, ERWIN-YES, T.REDCORN-YES, WALLER-YES, YATES-YES, BOONE-YES

MOTION PASSES: 7-YES 0-NO

Executive session entered at 10:45 A.M.

Motion to exit executive was made by Councilwoman Erwin and seconded by Councilman Crum.

VOTING: CHESHEWALLA-YES, CRUM-YES, ERWIN-YES, T.REDCORN-YES, WALLER-YES, YATES-YES, BOONE-YES

MOTION PASSES: 7-YES 0-NO

Executive session exited at 1:11 P.M.

Motion to accept an oil and gas (less coal bed methane) by Black Gold Land Services Inc NW 1/4 32 T22 R08 and the NE ¼ 31 T22 R08 two quarters for \$6000 for each for 2 year lease by Councilman Yates and 2nd by Councilman Cheshewalla.

VOTING: CRUM-YES, ERWIN-YES, T.REDCORN-YES, WALLER-YES, YATES-YES, BOONE-YES, CHESHEWALLA-YES

MOTION PASSES: 7-YES 0-NO

Motion is made by Councilman Crum and 2nd by Councilman Redcorn to send letter of instruction to the superintendent for instructions for Candy Creek. The instructions being we follow the letter of the existing agreement and contract for the permit and that all charges and payments to the OMC follow that agreement. By doing that the money already paid will count against future sales.

VOTING: ERWIN-YES, T.REDCORN-YES, WALLER-YES, YATES-YES, BOONE-YES, CHESHEWALLA-YES, CRUM-YES

MOTION PASSES: 7-YES 0-NO

Councilman Yates asks if we need a resolution for the meeting date. Superintendent Phillips says no. Chairman Waller makes the announcement the meeting for the consultative meeting with the bureau will be May 12th at 10:00 A.M. in the chambers.

Old Business

Penta will be tabled until next month. There are no objections.

Motion is made by Councilman Crum to pass the resolution as printed in the book 2nd by Councilman Cheshewalla.

The resolution is for a Sullivan new gas lease. That will cover the NW/4 of 27, Township 25 North, Range 6 East and Sullivan will pay \$50 per acre (\$8000) and a 1/5th royalty.

VOTING: T.REDCORN-YES, WALLER-YES, YATES-YES, BOONE-YES, CHESHEWALLA-YES, CRUM-YES, ERWIN-YES,

MOTION PASSES: 7-YES 0-NO

Councilman Crum states that coming out of executive they needed to set a lease sale. Chairman Waller states that they are looking for Summit dates to be Nov 4-5 or Dec 2-3.

Motion is made that there will be a lease sale and the date will be in coordination with the Oil and Gas Summit by Councilman Crum and 2nd by Councilman Redcorn.

VOTING: WALLER-YES, YATES-YES, BOONE-YES, CHESHEWALLA-YES, CRUM-YES, ERWIN-YES, T.REDCORN-YES,

MOTION PASSES: 7-YES 0-NO

Hard Rock Operating

Steve Sewell speaks on behalf of Hard Rock. He would like to accept the offer from last Friday.

Motion is made to accept the resolution for Hard Rock for a 2 year oil and gas (less Coal bed methane) \$4750 per ¼ at 20% royalty for the SE/4 17-T23N-R09E, NE/4 20-T23N-R09E, NW/4 21-T23N-R09E, SE/4 16-T23N-R09E, SW/4 15-T23N-R09E, NW/4 15-T23N-R09E by Councilman Yates 2nd by Councilwoman Erwin.

VOTING: YATES-YES, BOONE-YES, CHESHEWALLA-YES, CRUM-YES, ERWIN-YES, T.REDCORN-NO, WALLER-YES

MOTION PASSES: 6-YES 1-NO

New Business

Motion is made by Councilman Crum and 2nd by Councilwoman Erwin for Nadel and Gussman for a new 2 year oil and gas lease (less coal bed methane) for the NW/4 2-T22N-r9E at the price of \$50 per acre and a 20% royalty.

VOTING: BOONE-YES, CHESHEWALLA-YES, CRUM-YES, ERWIN-YES, T.REDCORN-YES, WALLER-YES, YATES-YES,

MOTION PASSES: 7-YES 0-NO

Motion is made to honor a constituent centurion approximate costs \$150 out of C395 to be held on May 15th by Councilwoman Boone and 2nd by Councilwoman Erwin.

Discussion

Councilman Yates asks if should come out of the S510 because it is a little more lenient. Councilwoman Boone states we can amend it to S510. Councilman Crum asks what is going to happen. Councilwoman Boone says cake, punch, and flowers. Chairman Waller calls for the question.

Motion is made to honor a constituent centurion approximate costs \$150 out of S510 to be held on May 15th by Councilwoman Boone and 2nd by Councilwoman Erwin.

VOTING: BOONE-YES, CHESHEWALLA-YES, CRUM-YES, ERWIN-YES, T.REDCORN-YES, WALLER-YES, YATES-Abstain,

MOTION PASSES: 6-YES 0-NO 1- Abstain

Councilman Cheshewalla reminds Chairman Waller of the Chilocco. Chairman Waller asks that out of respect for those people he asked Councilman Cheshewalla bring it up. Councilwoman Erwin asks if he is asking for a donation. Chairman Waller states yes he thinks they should. We will table it until the 15th give everybody a little time to think about it. No objections.

Meeting minutes

Chairman Waller asks if everyone has had a chance to look over the meeting minutes. Councilwoman Boone states she has looked them over and submitted grammatical errors and she is confident that they will be made. Councilman Crum states that doing word for word is way beyond what should be included in minutes. He then states he wants more discussion on the motion to ask US congress for help. He also asks that all parts that include whispers and sighs be stricken. Councilman Crum suggests that perhaps we table them. Bring them back next month and decide then. Chairman Waller agrees with it. Councilman Yates states he supports Councilman Redcorn's effort to hire someone to run the office who knows how to do minutes. He then states that we need someone to run the office that has clerical and managerial abilities and to be able to write minutes. Councilwoman Boone states that it is in the performance of the person actually doing the minutes. Councilwoman Erwin states that Chairman Waller is running things and she resents that he is challenging the fact that she is challenging his ability to run it. Councilman Redcorn agrees with Councilman Yates because it is hard to work for \$20000 a year and someone should be there who is getting paid good money to do that.

Halcon

Mr. Henderson is not present.

Chairman Waller apologizes to the council if they feel like he has had a problem keeping up with his situation. He has never been in an office where he was given nothing. He states we are going to do our best and make no excuses and do what we can do for our shareholders.

Motion to adjourn is made by Councilwoman Boone and 2nd Councilwoman Erwin.

VOTING: CHESHEWALLA-YES, CRUM-YES, ERWIN-YES, T.REDCORN-YES, WALLER-YES, YATES-NO, BOONE-YES,

MOTION PASSES: 6-YES 1-NO

Meeting adjourned 1:45 P.M.

