

1 **OSAGE MINERALS COUNCIL**

2 **Meeting Minutes**

3
4 **January 10, 2014**

5 **1. Call to order**

6 **Andrew Yates** called to order at **10:00 A.M.**

7 **2. Opening Prayer -**

8 Opening Prayer and reading of deceased Osages– Myron RedEagle

9 **3. Roll Call**

10 The following Minerals Council persons were present:

11
12 Joseph B. Sonny Abbott, Jr. P Curtis O. Bear P
13 Cynthia Boone P Melvin Core P
14 Galen Crum P Myron F. Red Eagle P
15 Dudley Whitehorn P Andrew Yates A
16

17 The following members of the audience signed the guest register:

18
19 **Ray McClain, J. Geurin, Nona Roach, Patricia Bright, Mary Johnson**

20
21 Yates: As a matter of information, we had a meeting yesterday with the Bureau
22 of Indian Affairs and the Environmental Protection Agency...and some other
23 people, the Cattleman's Association and some state agencies. We were wanting
24 to coordinate a revision of our Osage Handbook. It's a handbook that's been
25 around. It was first done in 1997. It was with the BIA, EPA, and Osage
26 Producer's Association. We just kind of helped give a guide on how to operate in
27 the Osage. There is different requirements through different federal agencies.
28 We are going to be starting that meeting in February. We will be coordinating
29 with individual groups and one set of meetings will be set aside for shareholders.

30 Crum: Yesterday we were not just in the position to just listen. We were able to
31 give them some feedback about their demands. We had a very strong
32 representation from the BIA saying that we were not looking to change the
33 jurisdictional issues and that all we want to do is cooperate with the agencies that
34 we are already working with and put together a nice handbook that will help the
35 producers to know who to contact, what the procedures are and that sort of thing
36 that are uniquely Osage.

37 Boone: I noticed yesterday that all the entities that were there had their attorneys
38 there and so I make the request that our attorney be at the other meetings that we
39 schedule. There was also information that was passed around during that

40 meeting, I believe it was from Tallgrass. I didn't get a copy of that, so I would
41 like to receive a copy of whatever was passed out.

42 Yates: That may have been just information that U.S. Wildlife and Fish Service
43 had, but I will check into that.

44
45 **4. Minerals Matters-** Charles Hurlburt, Supervisory Petroleum Engineer

46
47 With Christmas and some of our staff out on "Use or Lose" vacation, we have had
48 five well permits issued since the last monthly meeting. We will have at least one issued
49 today or Monday. We have received in the incoming about 13 or 14. There's always a
50 slight difference between what we tell you we have approved and what we have turned
51 in. The only other thing I need to report is, and I want to thank Mr. McClain for
52 suggesting this; at the last meeting he asked for a report on how well the CO2 Flood is
53 doing. I checked today, we still haven't gotten the first full month's production
54 processed, but we will have it at least by next month. We will at least be able to give you
55 the month to month, before and after. I know that Chaparrel has been very diligent at
56 repairing and doing work-overs on all the wells in North Burbank Unit. Some of that
57 work has resulted in very good production before we got into the CO2 flood. You know
58 just fixing leaks and getting things in very good shape. They know they are going to
59 have problems if they don't do that with the CO2 escape. So, they made a tremendous
60 investment and we see a pretty big increase in production. It's going to be an incline
61 plane and we've already started on the way up. I will try to report every month for the
62 foreseeable future unless you all tell me not to on how well it's doing. I think it's going
63 to be not as dramatic as what you would expect. Other than that I have nothing else to
64 report. RedEagle: Could you tell them again what the deadline is for nomination of
65 resale. Charles: The deadline for nomination is the 17th of January, 2014. Traditionally
66 we probably get 75% of our nominations the last week, and probably 60% of them the
67 last day. People just don't want other people to know what's going on I guess. It's just
68 always been a mad rush just right before the deadline. Yates: Charles I have had a lot of
69 people contacting me wanting to know who they contact to nominate leases. Who do I
70 direct them to? Charles: I would recommend calling Carol Revard. She's one of the
71 three people that check these. Carol, Ellen Hawzipta and myself will all look at these and
72 make sure they are not in concession, they are not under lease, they are in the county
73 believe it or not. Before we will send out the bulletin we will have checked that, as I said
74 three different people and I've got a piece of paper saying I checked it, they checked it,
75 what we checked and what we found. Everett Waller: Charles give out your phone
76 number and website address please. Charles: Okay...the branch of Minerals phone
77 number, I'm going to give you that and then I'm going to give you mine...is (918)287-
78 5710 and my direct line is (918)287-5772.

79

80 **5. Administrative Matters** – Robin Phillips, Osage Agency Acting Superintendent

81

82 I just want to say that the questions asked, how many wells are plugged, etc. We will be
83 in a position Wednesday to provide that to you. As far as Administrative matters, I
84 wanted to let everyone know we have the four Petroleum Engineer Technicians and they

85 are scheduled to leave on January 13, 2014 to attend the second BLM training. Training
86 is going to be held in Taos, New Mexico and they will be focusing on drilling
87 inspections. And that will remain to have two PET Petroleum Engineer Technicians in
88 the office with supervisors. So, while they are out for two weeks we should be able to
89 handle anything and everything that comes our way. As you all know, I recorded in the
90 last meeting that December 16, 2013 was the closing date for three PET positions. We
91 have been informed that Personnel is in the process of giving the certifications to
92 knowledgeable candidates. So hopefully we'll be able to next month report where we are
93 at on that. The two positions that were previously advertised we did make a selection and
94 two individuals have accepted those positions and until such time as they have the
95 security background clearance and that comes through favorable they won't be able to
96 report to work. So, right now we are waiting for that. Unfortunately we did have an
97 individual that retired...Joseph Cheshawala. And as stated yesterday we have positions
98 identified for the new funding that's coming in and hopefully we will be able to do
99 something as far as advertising within the next month. We will continue to provide those
100 positions advertisements to the Minerals Council and we would appreciate you do
101 something maybe posting something on your website as well. Right now the regulations
102 that are in place do not allow us to accept anything but a corporate surety bond. I think in
103 the past there have been bonds that have been accepted and we are not going to be able to
104 do that. So, I'm sure you may hear about the Agency returning some assignments, but
105 we have got to follow the regulations that are in place and right now at this point, it does
106 state "Corporate Surety Bonds". So you might get some calls on that because I think we
107 have staff assignments that we are going to have to return.

108 BIA is working with IT to pull information from Annuity System. BIA has received the
109 letter prepared by OMC and is going to get information and letters out. Crum: It would
110 be helpful if you could notify Andrew (Yates) when those letters go out so we can have
111 some policy in place for all those people...I have another question. For those of you who
112 were at our Special Meeting January 3, 2014 one of the pieces of business we had to take
113 care of was Clear Mountain, LLC taking over Encana concession. We made a deal with
114 them. Part of that deal was they were to lease 31,800 acres of the Encana concession.
115 We want to get money from them upfront on that, because we don't want to release
116 Encana from their financial obligations without having the new company have to pay us
117 something. And we didn't want to have to have them tell us what 200 leases were going
118 to be. So in order for us to get the money for the shareholders we were going to have to
119 put it in a concession. So, we want to make sure we have a method. Charles: I was
120 talking to Rhonda (individual in Muskogee that does this detail) and on this particular
121 concession we put in TAMS as a concession as well as the leases. So, according to what
122 she told me, we will be able to take the trust money in order to be paid out. What will
123 happen is the first 200 or whatever will show a zero bonus because you have already been
124 paid for them.

125 RedEagle: I got a call from a student from Oklahoma University, and he wanted to know
126 if we had some kind of Internship program. So, I referred him to Janine Hail. Hail: I
127 haven't spoken to him yet, but I got the message

128 **6. Executive Session**

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No executive session

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INTERMISSION

135 **7. Old Business**

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137 Boone – Follow-up MOU

138 Yes, last month I had asked that we get a copy of the Memorandum of Understanding
139 with the Nature Conservancy that the Chief signed. And I just wanted to know what
140 progress we've made in terms of us getting that copy.

141

142 **8. New Business**

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144 **Darryl Lacount/BIA – TAMS (Trust Asset Accounting Management System)**

145 As we left some of the other meetings there was some confusion about what path we
146 were trying to go down to help manage the Minerals Estate. And so I would like to
147 take this opportunity to clarify as much as I can for the Council and answer any
148 questions that you may have. Right now the way things operate with your royalty
149 payments, is that payers, producers whomever it is pay it directly to a “lock box”. That
150 is where the money goes. The Agency then runs the ownership that they have in the
151 Osage and its then distributed through OST. We are, right now, pursuing an MOU with
152 the Office of Natural Resources and Revenue (ONRR) to perform, essentially, the “lock
153 box” function that currently goes on and the accounting function that goes on at the
154 Agency. We don't have it in place. Mike Black has a meeting this week with the
155 Director of the ONRR to begin that. What it would do is replace the “lock box” and the
156 accounting piece that is done at the Agency. As for the TAMS part of that, it is in use
157 here at Osage. Every acre that is in the Minerals Estate, is tracked in TAMS. They've
158 got them broke out into 160 Acre tracks. It is our system of record in the Bureau for
159 Land Title, Surface Leasing, Business Leasing, we have a right away module and we
160 have an Indian Consolidation module. We have a buy-back module, that's the most
161 recent one out of this Cobel. There's a range module in there that manages mostly on
162 the plains and the Dakotas in Montana, range units. We have a forestry module. And
163 there's also a module in there called “legal documents” where we deal with mortgages
164 on lands. There's an acquisition and disposal module. And there's a Minerals module,
165 which we use outside of Osage to manage leases. What we are proposing to do is build
166 an Osage module that would serve solely Osage. That's what we are proposing to do.
167 In December we sent out about 2,600 offers to individuals at Pine Ridge, Makah, and
168 Rosebud. That program has started already and we are seeing results. We sent out our
169 first offer on December 17, 2013 and Christmas Eve we did our first sale. We were
170 pretty pleased with how we turned it around. We put \$29,000 in an IIM account. This
171 person lived on Pine Ridge, and unfortunately he was a terminal cancer person. So we
172 did everything that could be done and it is working well. The largest purchase we have
173 made so far on behalf of the tribe is \$169,000 from one individual. And so we had to
174 get that module up and running before we could get to the Osage module. We've got
175 just a few tweaks to it. I think that we will probably start developing the Osage module
176 by March. The other thing that is happening right at the moment is we don't have the

177 other TAMS contract in place which is causing a delay or two. We are in a 6 month
178 extension period and I fully expect that by the time we get going in the Osage we will
179 have a permanent one in place. It took a little over 3 months to build the land by back
180 module. That module has the most out of any automation and Osage may be right up
181 there with it. So I would anticipate 3-4 months from the time we get all the
182 requirements in place to the time that it is up and running. The way it will work is OST
183 will keep its same role that it had. There's still going to be the ones that distribute to
184 the IIM accounts to the shareholders. The ownership as opposed to being managed for
185 the headrights in Osage suite would be managed through TAMS. That's a piece that
186 they have developed to do land ownership, but we will have to move it over to do
187 headright ownership. All the functionality is there it is just a manner of capturing it
188 from that perspective and using it from there. Essentially we would manage it as if
189 there are 229 tracts. Within that Osage module it's going to have its own ownership
190 and that's how we will manage that. There was a law passed in 1982 that allowed
191 tribes to do what you are doing with their concession agreements, take large amounts of
192 acreage and put it under agreement, pay a bonus on it and as it leases out make more
193 payments on it. So, the system is in place to do just that. Bonus payments are still paid
194 directly to the Agency. Royalty payments are paid to the "lock box".
195
196

197 **9. Committee Reports:**

198 **1. Election Committee – Abbott**

199 Curtis Bear and I met with an election company and we were impressed with their
200 presentation. You will have some things in your box this afternoon. You will have the
201 presentation and a Budget report.

202 **2. Budget Committee – Abbott**

203 I've got one thing on the budget committee to share with the rest of the Council. I've
204 talked to Curtis and Andrew on the Budget Committee. I got a call from the Executive
205 branch, specifically Scott Bighorse, wanting to know why we didn't pay our bills. I told
206 him, "I don't know what you're talking about Scott". He said that he had gotten a call
207 from the firm of Akin & Gump saying that they have been submitting bills to us since
208 August on the wind farm issue and none have been paid. So, I got on the phone and the
209 first person I called was Leslie Young in accounting, who writes our checks. And I asked
210 Leslie, "Why are these bills submitted since August from Akin & Gump not being paid?"
211 Leslie said that she had never seen the bills. She never knew they even existed. So, my
212 next call was to my office as to why these bills weren't being submitted. I haven't got an
213 answer for you yet. But I promise you that I will get to the bottom of this. These bills
214 will have to be paid in a whole sum. Half of that bill would have been paid out of last
215 year's budget. But by them not being submitted when they were supposed to be properly
216 submitted, now we will have to pay all of this bill out of this year's budget. So, I just
217 wanted to share that with the rest of the Council. I will get an answer, but I have not yet
218 got an answer as to why these were not submitted on time. Boone: How much money

219 are you talking about? Abbott: Approximately \$135,00 through November (2013). We
220 are probably going to have a December bill that's going to be on there too.

221 **3. Media Committee – RedEagle**

222 As everyone knows we are getting ready for our next newsletter. We got to have a
223 deadline by the end of February. And also, we are working with the secretaries to get
224 some information on the website. If we have to go through the Osage website to
225 advertise the job opportunities then we will. We will do whatever we can. Patricia
226 Bright: Are you going to make some kind of ruling that one can put an ad in the
227 newsletter on their re-election? RedEagle: At the media meeting we will discuss it.

228 **4. Liaison Committee- Crum**

229 Nothing to report

230 **5. Scholarship Committee- Core**

231 The current scholarship recipient students have been re-selected. They are: Bret Fugate,
232 Bryce Fugate, Jesse Pierce, and Nicholas Carbone. Scholarship award letters have been
233 sent out.

234 **6. Well Plugging Committee- Yates**

235 We have five up there by Hickory Creek. I will continue to contact contractors. We have
236 one at the school and I understand that they are ready to go but they are just trying to iron
237 out some permits through BIA.

238 **7. Policy/Procedure –Boone**

239 Nothing to report

240 **8. 1906 Act – Bear**

241 Not present. Nothing to report.

242

243 **10. Adjournment**

244 **MOTION TO ADJOURN AT: _11:41 ____**

245 **BY: _____ SECOND: _____**

246 Joseph B. Sonny Abbott, Jr. _Y__

Curtis O. Bear _Y__

247 Cynthia Boone _Y__

Melvin Core _Y__

248 Galen Crum _Y__

Myron F. Red Eagle _Y__

249 Dudley Whitehorn _Y__

Andrew Yates _Y__

250 **AYE_7_____ NAY _____ Absent 1**

251 **MOTION: _____ X _____ PASSED _____ FAILED**

252 Minutes submitted by: Secretary, Dena Cosby-Rackliff

253 Minutes approved by: _____