

OSAGE MINERALS COUNCIL  
REGULAR MEETING  
WEDNESDAY AUGUST 19, 2015  
MINUTES

**Call to Order**

Chairman Waller calls the meeting of the Osage Minerals Council to order at 10:04 A.M.

**Opening Prayer**

Eddy Redeagle says opening prayer.

**Roll Call**

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

Guests in attendance were Sandra Jamison, Jamie Sicking, Shane Matson, Lee Ann Yarbrough, Ammons, Joe Conner, Rhonda C. Wallace, Keli Mashburn, Lonnie Hudgins, Mary Lee Evans, Gene Bowline, Joe Hall, Otto Hamilton, Jinx Geurin, Tim Dowd, Florence Trantum Bigheart, Rhonda Fair, Joy Ledbetter, Jess M. Kane, Randle White, Tom Lackey, Jean Dennison, JL Holt, Nona Roach, Shannon Duty, Linda Lazelle, Don Williams, Jerry Renjer, Travis Keener, Linda Heskett, Julie Wilson, and Geneva Hamilton.

**Accountant Reports**

Chairman Waller announces that the accountants cannot be here.

**Auditor Report**

Jim Swan gives report. He states total collections for July was \$3,873,821.01. Average price per barrel of oil in June was \$57.59. Average Highest posted price for July was \$47.98. Today's HPP was \$39.04. Average Barrels produced in June were 13,068. Quarterly Annuity payment is \$4805. Gross production tax paid is \$555,582.85. Gross barrels were 392,696. Royalty barrels were 61,490. Royalty barrels vs gross barrels 15.68%. Total oil royalty collected in July \$3,530,063 gas royalty was \$282,626 tank bottom royalty was \$354 for a total of \$3,817,043.

**BIA Reports**

Deputy Superintendent Jeannine Hale gives BIA reports. She states that in the Branch of Field Operations there was 1723 purchase run tickets reviewed and encoded, 7 purchase tank tables encoded into the system, 58 lease inspections, 10 lease inspection follow-ups, 8 gas meter proving, 7 tank strappings witnessed, 84 landowner/lessee meetings, 6 complaints responded to, 25 spills/leaks inspected, 37 spill/leaks inspection follow-ups, 1 archeological survey, 12 tanks

gauged, 14 run tickets figured, 28 calculations, 1 Petroleum Engineer attended BLM certification training. She then states in the Branch of Lease Management has reported 1 assignment has been approved. Jeannine states that she has inquired about the number of assignments they have. There are probably about 180 assignments pending and they believe those that are taking longer are because the inspections have defined a lease deficiency. 17 division orders were approved, 3 leases terminated, and the number of producing wells has gone up and the total is 14858. Jeannine states on 214 Minerals Quarries APAC sold the most. She states she had people go out to the Burbank Quarry to make sure they were in the leased area. They were in the leased part but there was equipment that they were told to get. Branch of Enforcement and Lease Compliance has received 10 new Environmental Assessments. There are no EAs approved, but CEP is on the final stage and DK&K is also on final stage. In the Branch of Subsurface Minerals 43 work-over permits were mailed out. 12 work-over permits were approved. Councilwoman Boone asks about fines and penalties and where they go. Jeannine states those go to the government. Councilwoman Boone asks "it says other actions can be taken and what actions does that mean". Ms. Hale states leases could be terminated. Councilwoman Erwin requested a written report on Devon. Councilman Cheshewalla asks what the staff number is in the field. She states they are fully staffed. Councilman Crum points out that the Environmental Assessment is still being done as normal and has not been changed by the court ruling. Ms. Hale states that is correct.

### **Chief Standingbear**

The Osage Nation Chief Geoffrey Standingbear speaks. He gives a brief history on where he has served. He states that he has learned as far as the government stuff we shouldn't get to wound up. He addresses the rumors that the Chief's office is attempting to contact the BIA and take over headright. He says that is false. He speaks of the EIS and we need certainty. So he asked Mr. Crum to come in to make sure they aren't stepping on anyone's toes and that nothing is being pulled over on them. He speaks of the indirect costs. He states that the people who are not paying in have to in order to make it work. If the OMC does not want to use it then they will have to find a way to get the services done. If you don't pay, the children and elderly programs pick up the difference. He states his door is open. Occasionally he has to travel but doesn't like to. Councilwoman Erwin states she has some issues with some of the employees threatening her. Chief Standingbear states he will help her. Councilwoman Boone inquires of the \$30 million over budget in casino expansion and the \$20 million the Osage LLC unaccounted for. Chief Standingbear states that they brought the former CEO and CFO and the former board members, who were not even Osage and it was \$83 million. Mr. Supernaw and his committee are going to release a report tomorrow or today on the casino. The Osage LLC had \$19.1 Million placed in the entity to diversify. The Chief states as soon as he came in he had investigators go in and because of the statutes of limitations they had to automatically bring two lawsuits. He states Amanda Proctor and Holli Wells can explain what they can, but the numbers are close. Councilwoman Boone says and then there is still the five man board that got \$800,000 or

\$750,000. Chief Standingbear states he does not know how that is going, it is in court. Councilwoman Boone asks if anyone is going to be prosecuted. Chief Standingbear says people are being prosecuted, but they want to know more. Councilwoman Boone then states that everyone is equal, all eight of them and if she needs records from accounting she should be able to get them. Chief Standingbear states absolutely. He refers her to the controller, but he will get back to her on that. Councilman Redcorn asks about his working relationship with the Bureau. He states it has been extremely difficult to work with them.

Chairman Waller states there will be a short break. No objections. Recess at 11:22 A.M.  
Meeting resumes at 11:51 A.M.

### **New Business**

Performance- Scott Duscherne speaks on behalf of Performance. He states that they presented this concept about a month ago on the uncertainty of stemming from the Donelson Case. All they are doing now is add a lease of a current lease to acquire properties from Chaparral if Donnellson prevails. He states that they ask for a motion today because the contract asks for a closing on August 31<sup>st</sup>. Tim Dowd, OMC attorney speaks. He states Performance wants a top lease. This is only valid if the base lease is no longer valid and the top lease becomes valid. He states it is not a 21 year lease or a perpetual lease. Resolutions were handed out, Exhibit A and Exhibit B. Councilman Redcorn asks Jeannine Hale if it is something that can be done. Ms. Hale states that she has spoken with Mr. Woodcock and no one has identified any kind of obstacle, but she does not have anything in writing. Scott Duscherne states he hopes that other companies will bring these resolutions and Donnellson will crumble. Councilwoman Erwin asks how many wells will be drilled. Bob Knappe speaks on behalf of performance. He says they are going to drill at least 24 wells. They plan to get the production up to 500 barrels per day from 150 and the gas up to 850000 cubic feet a day and add \$12 million dollars in royalty of the life of the royalty to the Osage Shareholders.

Councilman Crum makes a motion to accept the resolution for a top lease as amended for Performance, concerning Donelson lawsuit. Motion is second my Councilman Yates.

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

6 -YES 1 -NO

Councilman Crum makes the motion that we accept Performance resolution involving Hayes case. Motion is second by Councilwoman Erwin.

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

6 -YES 1 -NO

Motion is made by Councilman Crum to accept the 7 Performance leases with Chaparral for minimum bid \$4700, 20% royalty Oil and Gas less coal bed methane with attached legal descriptions.

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

6 -YES 1 -NO

ODOT- Randal White, Division engineer for ODOT and Rhonda Fair, director of tribal coordination for DOT, speak on behalf of ODOT. He states that the department has a lot of work in Osage county over the next few years. He states there is 42 million dollar in bridgework and some roadway work also. He proposes a memorandum of understanding to provide the Minerals Council with the projects they have coming up. In return he would like feedback from the Minerals Council on what the regulations that are in place that they need to abide by. He states that this way, the fee can be put in the contracts so that a bid can be made better and they will know what documentation will be required. Ms. Fair asks how the council would like to proceed. Councilwoman Erwin tells her to draft the agreement and send it to us. Chairman Waller states that they need to make sure that it gets by their legal team.

Chaparral- Tom Lackey speaks on behalf of Chaparral. He speaks of the North Burbank CO2 project. He states in June of 2013 they started injecting CO2 into part of the North Burbank unit. He states daily production was 1250 of oil a day. They drill 14 wells. 8 were producer wells and 6 were injection wells. In 2014 16 wells were drilled, 4 producers, 11 injections. There was a response to the CO2 in late April early May. In December of 2014 daily production was averaging 1750 barrels of oil a day. In 2015 10-11 Environmental Assessments were submitted. They will all be injection wells. They have 9 139's going through the BIA approval process to inject these wells. He states this year to date there has been 511,239 barrels. Looking forward into the rest of 2015 they plan on drilling 11 more injection wells, 8 patterns on CO2 this year and they are doing bug studies for what they want to do next year.

Minerals Council Website- Councilman Redcorn states that they are interested in getting our own website up and running again. He would like for the Minerals Council to put their thoughts on this website.

Motion is made to allocate approximately \$150 a year out of the C395 is made by Councilman Crum and 2<sup>nd</sup> by Councilwoman Erwin.

Councilman Yates wants contact information listed on this website.

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

7 -YES 0 -NO

Wind farms – Joseph Cheshewalla reads a letter he wrote concerning the wind turbines. The letter concerns some options that we could have in case the wind farms are here to stay. Councilman Redcorn states that we are in the energy business. He is not saying he is for wind energy, but we should keep the options open if there is energy development out there and we should be on the lookout for the benefit of the Shareholders. Joe Conner, Osage shareholder speaks and says it makes him almost cry going to his land, looking at those turbines. Councilman Yates states that he is firmly against the wind industry and he is against any kind of negotiating with them.

Motion to enter executive is made by Councilwoman Boone and 2<sup>nd</sup> by Councilman Erwin.

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

6 -YES 1 -NO

Executive entered at 1:25 P.M.

Motion is made to exit executive by Councilwoman Erwin and 2<sup>nd</sup> by Councilwoman Boone.

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

7 -YES 0 -NO

Executive exited at 2:19

Motion is made by Councilwoman Boone and 2<sup>nd</sup> by Councilwoman Erwin to accept the resolution concerning the American Burying beetle that includes a letter to the Fish and wildlife Service identifying our requests and it also discusses the Secretary order 3206.

Discussion: Councilman Crum states that in executive he asked Councilwoman Boone if he could see the email on what the attorney's recommendations were, concerning the ABB and the letter to the Fish and wildlife Service, and she said no there had to be a vote first. He states that he will be forced to vote no on something he has been for but for all he knows the attorney could have said here is a change in language but you better not get involved. Councilwoman Boone states she would not have brought it forward if attorneys said don't do it. Councilman Yates states he will vote yes but any attorney information should be shared with everyone and not just one person.

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

6 -YES 1 -NO

Old Business-

Meeting Minutes-Councilwoman Boone asks if the corrections were made. Lacey states yes. Councilman Crum states he would like for them to be separated since he wasn't at one of the meetings and would have to abstain.

Councilwoman Boone makes a motion to approve the July 17<sup>th</sup> meeting minutes and 2<sup>nd</sup> by Councilman Cheshewalla.

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

7 -YES 0 -NO

Councilwoman Boone makes a motion to approve the July 22nd meeting minutes and 2<sup>nd</sup> by Councilman Cheshewalla.

MOTION PASSES: CHESHEWALLA-YES, CRUM-ABSTAIN, ERWIN-YES, T. REDCORN-YES, WALLER-YES, YATES-YES, BOONE-YES

6 -YES 0 -NO 1 -ABSTAIN

Councilwoman Erwin states there is a letter in the books to look at on the No Confidence of the Superintendent.

Councilman Redcorn states he has a question on Ian Shavitz and if his direction is with the desire of the Osage Minerals Council. Councilman Crum states that Mr. Shavitz asked for direction from us and whether we wanted to run with it. He states that something that is as momentous as this needs to be on the agenda. Councilman Redcorn states that he has heard the charges from Ian Shavitz are quite large from the delivery items we are getting and he wonders if Tom Fredericks would be the better choice to handle it going forward. Councilman Crum states the government is in a lawsuit and we are not in one and he is keeping us informed in that role. Councilwoman Boone states we are paying him way too much.

Motion is made to waive the rules by Councilwoman Boone and 2<sup>nd</sup> by Councilwoman Erwin.

MOTION PASSES: CRUM-NO, ERWIN-YES, T. REDCORN-YES, WALLER-ABSTAIN, YATES-NO, BOONE-YES, CHESHEWALLA-YES,

4 -YES 2 -NO 1 -ABSTAIN

Motion is made to relieve Ian Shavitz of his duties by Councilman Redcorn and 2<sup>nd</sup> by Councilwoman Boone.

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

4 -YES 3 -NO

Motion is made that any work done by Fredericks not to be paid on any wind farm issues done prior to today is made by Councilman Crum and 2<sup>nd</sup> by Councilman Yates.

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

7 -YES 0 -NO

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

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

7 -YES 0 -NO

Meeting adjourned at 2:43 P.M.

Minutes Submitted By:

Gale Reynolds

Minutes Approved By:

Sam