

OSAGE MINERALS COUNCIL  
REGULAR MEETING  
WEDNESDAY OCTOBER 21, 2015  
MINUTES

**Call to Order**

Chairman Waller calls the meeting of the Osage Minerals Council to order at 10:06 A.M.

**Opening Prayer**

Eddy Redeagle gives opening prayer.

**Roll Call**

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

Guests in attendance were Shane Matson, Florence Trantum Bigheart, Jinx Geurin, Janel Perry, Joy Ledbetter, Charles Wickstrom, Beverley Brownfield, Teresa Rutherford, Mike Jones, Matt Jones, Mike Mackey, Cara Dillon, Aaron Lawson, Bob Hopper, Jess Kane, Gene Bowline, Mary Johnson, Jamie Sicking, Lonnie Hudgins, L.K. Heskett, Julie Wilson, Jim Kunard, Rhonda Wallace, Nona Roach, Paula Farid, and Paul S. Revard.

**Accountant Reports**

Chairman Waller states Ms. Young will not be present today.

**Auditor Report**

Jim Swan gives auditor report. He states in September total collections was \$2,943,449.13. Average price per barrel of oil is \$41.42, September's Average highest posted price \$41.95. Today's highest posted price is \$42.25. Average Daily barrels of oil produced 12,758. Gross barrels produced were 395,549, royalty barrels 61,475, and gross barrels vs royalty barrels 15.54%. Total oil royalty for September was \$2,561,746 total gas royalty was \$250,560 tank bottom royalty \$644 for a total of \$2,812,950, and the average bonus was \$1.65.

**BIA Reports**

Superintendent Robin Phillips states that for oil and gas there were 7 leases approved, 18 assignments, 5 division orders, 8 lease terminations, and producing wells was 18,112 less 3,255 for Salt water disposal wells for a total of 14,857. She then states in the Branch of Field Operations there were 53 lease inspections, 17 follow-ups, 39 gas meters proved, 19 trucking

permits issued, 13 spills/leaks inspected, 27 follow-ups, 6 archeological surveys, 3 OERB assessments, 16 tanks gauged, 12 PETs attended Hazwoper training, and 12 attended EPA online SPCC training. She states that on gravel leases, Sherwood Construction sold the most, APAC 2<sup>nd</sup> and Candy Creek Crusher 3<sup>rd</sup>. She states there were 18 workover permits approved. Superintendent Phillips then states that the Branch of Enforcement and Lease Compliance continues to work on EAs submitted by various companies. She says Richard Winlock is acting deputy superintendent for 120 days.

Superintendent Phillips states that it has come to their attention that they are not completely in compliance with following FOIA. The staff has been instructed that they would need written requests for any and all records that are to be released out of lease management. She states it is not that it will not be released it just has to be in a written format.

Councilwoman Boone inquires about Mr. Winlock's BLM training. Superintendent Phillips states that he has not yet, but he will. Councilwoman Boone asks if it is on hold while he is acting deputy. Superintendent Phillips states yes, that the BIA wants the field people to have the training first. Councilwoman Boone states her point is that he is supervising these men and he hasn't been trained yet. Councilwoman Boone asks about OERB, and why they were here. Mr. Winlock says the 3 in the report are just starting the process.

Councilman Redcorn asks about the increase in gas meter provings asked about the activity. Mr. Winlock says some of those are only done once a year. Councilman Redcorn asks who does the calibration. Mr. Winlock says different companies do it. Councilman Redcorn asks if he could join. He would like to see what's going on, on gas inspections. Councilman Redcorn asks how many run tickets the producers are doing a month. Mr. Winlock says "Jacque is logging in 2000 to 20000 tickets a month." Councilman Redcorn says out of those 16 of those are reviewed, so that is a dash of a percentage and asks if that could improve. Mr. Winlock states yes they have been training and he thinks it is going to approve. Councilman Redcorn states he is interested in getting a statistician.

Councilman Yates requests that Superintendent Phillips send the report prior to the meeting so that they can review it. Superintendent Phillips agrees to get it to them by Monday before meetings.

Councilwoman Erwin asks why SE ¼ 24-25-11 well 7C. If it has been corrected and if not why it hasn't been corrected. Superintendent Phillips states that on that particular spill Justin Sellers goes out there on a regular basis. The landowner and company met a couple weeks ago and they are hoping that it gets resolved. Nona Roach speaks as the landowner. She states in February there was a spill resulting in salt in the pond. They pumped the pond down and one rain filled it up, but they didn't do anything with the dirt. She states for 2 months cattle has been out but is let back in now because they are out of grass. She states that if there is salt in the dirt it will eventually get back into the pond.

Councilman Crum asks about the change in policy and asks if he was a producer and he wanted to check on a piece of ground how would he find out the history of the lease and surrounding leases. Superintendent Phillips states it is not a change in policy the agency should have always been asking for the request in writing. She states you would make your request to the superintendent in writing as to what information you are interested in. She also states that they are working with the Department of the Interior FOIA coordinator as to what will be readily released and what needs to have permission to be released. Chairman Waller asks who the FOIA coordinator is. Superintendent Phillips states its Cindy, but she will have to get back to him. Councilman Crum states if it doesn't require a FOIA it is released. Superintendent Phillips states yes then we have that documentation for our file. Councilman Crum inquires as to if it requires a FOIA how long it takes, if there is a policy in place? Superintendent Phillips states you make a written request, and they will look and see if it is easily and readily released if it is, it will be released. She states that proprietary information and trade secrets is exempt. Councilwoman Boone states that she would like to have a copy of the old policy, because before it had to be on company letterhead and now she is saying it does not. Superintendent Phillips states in order to release the information to land men it has to be done on company letterhead.

Councilman Redcorn asks "who was the person that initiated this effort in the superintendent's chain of command." Superintendent Phillips said the Osage Agency has been allowing this for a while and someone came into the agency and saw that it was not in compliance, and that she does not care to name the individual. Councilman Redcorn states "it seems like we are going backwards because we worked for it 10/12 years ago." He also says if it is possible can we revisit that. Superintendent states that if he has some information that would be helpful.

Councilman Yates asks what the time limit is on a FOIA request. Superintendent Phillips states that they have to acknowledge it within 10 days. They are generally looking at 30 days. Chairman Waller states that he would like Mr. Revard to give a comment. Paul Revard states he just recently learned about the new restriction and he wants the council to know that it is vital information for existing producers and any other prospects. Anywhere else you can access information online. He understands that there is a process to obtain the records and it is burdensome and time consuming. He can't help but think that it is going to be damaging to shareholders and the development of the minerals estate making it more difficult to come in. He asks Superintendent Phillips if we can ask for a record for every well in Osage County. She states yes, but that is a lot of information. They could come back and ask for more specifics. He asks if them as operators can give a blanket permission. Superintendent Phillips states she will present it to the solicitor. Councilwoman Erwin states she has been over there and sat down and looked at the files but someone had to sit with her. She asks if they are still going to be doing that. Superintendent Phillips states No, everything will be in a written request. Councilman Crum states that all this information belongs to the Osage, so when the Superintendent is talking to the solicitor ask if it is a possibility that the Osage says it's our information and it needs to be released. Superintendent Phillips states that it is a possibility. She is willing to provide anything

to the solicitor's office that says will this take care of the federal government and the agency. Chairman Waller says "protect the federal government my comment would be protect the Osage headright owners." Superintendent Phillips states that if there is not documentation they can get in serious trouble for not having proper documentation. Councilman Crum states in the long run he would hope it is all digital and everyone can get the necessary information. Councilwoman Boone states she would like to see the addition of the number of requests from producers in the report.

Motion is made by Councilwoman Boone that the chairman writes a letter to the bureau that upon anyone's request the information be given to them without having to go to this lengthy process. Motion is 2<sup>nd</sup> by Councilman Redcorn.

Discussion: Councilman Redcorn states he would like the language in the letter that this has compromised the value of our trust. Councilwoman Boone agrees. Councilwoman Red Corn asks who we are writing it to, because someone is directing her to do this. She states we don't know who the enemy is. Superintendent Phillips states that the letter should be addressed to her with a CC to the regional director. Councilwoman Red Corn states it seems like everything the bureau has done is trying to do them in financially. Superintendent Phillips states that she agrees with the recommendation that was made earlier. Councilwoman Red Corn asks about the geologist position. Superintendent Phillips states they did fill the position but it takes some time for the individual to come on board. Councilman Cheshewalla asks who is looking after Charles's stuff. Superintendent Phillips states the Office of the superintendent is working with the division of Indian Energy and Economic development and using those petroleum engineers and the regional director has asked for an individual petroleum engineer to come to the agency. Councilman Redcorn states he thinks Sally Jewell, Washburn, and Mike Black should get the letter. Councilman Crum asks if we are writing a letter to claim ownership then it needs to be worded properly. Is it the legal stance or just one to fix the problem? Councilwoman Boone states it can say all those things. Councilman Yates asks if she needs time to type the request because in the past the language changed from what he voted to what has come out. Councilman Redcorn states whoever drafts the letter the chairman will sign it, we can stipulate that the council must review and approve. Councilwoman Boone states that we should have Tom Fredericks write the letter.

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 Redcorn states that we had a ruling on the wind farm case. He says he asked how the bureau was going to handle day to day operations with rock and how the program is going to be handled. Councilwoman Erwin states she thinks that we need to tell them how we want it done. Superintendent Phillips says the leases that are in place are looked at are still in effect. Leases for the

sale of gravel are considered mining. If and when ODOT decides they want to question, they can send a request to the agency. They are not going in and revisit any leases that are presently in affect.

Chairman Waller states we will take a short break, there are no objections. Time is 11:26 A.M.

Session resumes at 12:05 P.M.

Councilman Crum states he has a follow up for the Superintendent. He says he asked Cammi if we have any suggested dates for the improvement meeting with Mr. Black. He states we are running out of time. Chairman Waller states that he believed the second week of December was targeted. Ms. Phillips states that she will send another email out and CC the chairman.

### **New Business**

OPA- Shane Matson speaks on behalf of the OPA. He speaks on how the geological business is an investigative business. He says the last 15 months have really been something to see. He says how Chaparral's North Burbank unit is producing well and is masking the rest of the producers decline. It is purely from lack of being able to invest in the wells they have owned and drilled. This all came out of the July 15, 2014 letter. Superintendent Phillips states that the BIA needs to step out due to the pending litigation. Superintendent Phillips and Richard Winlock step out. Shane Matson says on behalf of the OPA he would like to set up a meeting with the purchasers, the Minerals Council, and the board members of the OPA to try and provide a better way to provide the Minerals Council with better data on Monthly production. Chairman Waller asks the council what they think about the OPA setting the meeting up. Councilman Crum states we don't have any business relationship with the purchasers. Councilman Redcorn states that he would like to set this template up and move it to everyone purchasing in the Osage. Mr. Matson states with the Council's permission he will set the meeting up.

Mr. Matson speaks on the difficulty getting information in the Osage. He states in every other county it is readily available online, and if this is not fixed Osage County will truly be the black hole the producers think it is. He then speaks of the American Burying Beetle. He asked if there is any discussion with the Fish and Wildlife. He says there is only a 6 week window to get the survey.

Wellco- Stan Delong- Chairman Waller states that his comments have already been taken care of.

Jones and Buck – A representative of JBD Oklahoma LLC states that they are back today and hoping to get an answer on the proposed resolution. He states that Councilwoman Erwin asked at the previous meeting how many total acres were involved and the answer is 3310 total acres 1070 are under 1951 gas mining and storage lease to Phillips Petroleum Company that was brought into question at the previous meeting. Councilman Cheshewalla asks if there are any of these leases that are coming up for termination. Mr. Winlock states that if they just give him the legals he will check. Superintendent Phillips states they do a lease inspection before they approve assignments. Councilman Crum asks if this is the same resolution that we discussed

before. Councilwoman Erwin states she called the solicitor's office on his opinion on top leases. She states he wasn't in the office and Charles Babst called Tom Fredericks and this is the resolution that he suggested the OMC use. Councilman Crum states that he is confused why Mr. Fredericks was contacted when Tim Dowd is our oil and gas attorney and that the new resolution states that the top lease wasn't contingent upon the Hayes or Donaldson case. Jess Kane, the attorney for JBD states the resolution that is presented today is one that has been worked on with Tim Dowd. Councilman Redcorn states he would like to hear from Tom Fredericks and the solicitor until he gets some assurance on the lasting impact. Superintendent Phillips states the leases are in effect. Assignments will have to take place. All they are asking for is some additional assurity if those two lawsuits win. Councilman Yates states that our oil and gas expert came up and walked us through this and he is willing to go along with them.

Motion to approve JBD Oklahoma, LLC's resolution as written is made by Councilman Yates and 2<sup>nd</sup> by Councilman Crum.

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

5 -YES 3 -NO

Producer of the Year award- Councilman Crum states what he suggests is that we make nominations in the open and vote executive or by ballot. Councilman Redcorn states he would like to make a nomination now. He nominates Chaparral because we just got a report in the North Burbank unit on how much they are producing. Councilman Crum states he thinks that within the context of what has happened in this last year then Performance Group should be considered. He believes this because they are still drilling wells and getting permitted. They are also allowing their EA process to be used by everybody, and used as a template. Councilman Cheshewalla would like to nominate Charles Wickstrom and Ironhawk Energy for their work with the horizontal drilling. Councilwoman Boone states she makes a motion that nominations cease 2<sup>nd</sup> by councilwoman Erwin. Chairman Waller states that nominations have ceased and they are Chaparral, Performance, and Ironhawk and we will take care of it at the end of the meeting.

Warrior- Robert Knappe speaks on behalf of Warrior. He states he is back to possibly get a vote for the proposed leases.

Motion is made by Councilman Crum to accept Warrior Exploration and Production LLC oil and gas lease less coal bed methane for the minimum lease bonus of \$4700 per lease and 20% royalty for the SW/4 section 18, T23N, R12E, SE/4 Section 30, T23N, R12E, and NE/4 Section 31 T23N, R12E. Motion is 2<sup>nd</sup> by Councilman Cheshewalla.

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

7 -YES 0 -NO 1 - ABSTAIN

Motion is made by Councilman Crum to accept Performance Group, LLC new 2 year oil and gas lease less coal bed methane for the SE/4 Section, T24N,R11E for \$4700 and 20% royalty.

Discussion: Councilwoman Red Corn inquires of the \$320 required for first year rental that was on Warrior but not on Performance's lease. Superintendent Phillips says it will automatically be in the lease contract for the Chairman's signature.

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

7 -YES 0 -NO 1- ABSTAIN

### **Old Business**

Oil and gas summit- Rick Torix gives update on the summit. He states there is a modified agenda attached (exhibit B). He states there is money, \$41600 in sponsorships and money coming in. Current cost estimates are \$42500. He states he hasn't received any report on financial but there should be money from last year. However this year should be a wash. He states oil and gas companies just aren't spending money this year, and the fact that we have the same as last year is a true testament to the event. Councilman Crum asks if there is enough money in there to have a two day format next year. Chairman Waller states no, not at this price. Mr. Torix states that check in time is 4:00 P.M. He then states there are only 85 bags left and last year there were 150. So we are going to be first come first serve. He states we are no longer going to offer buffalo.

Meeting minutes- Chairman Waller states he would like to table it for just a moment. There are no objections. Councilwoman Boone addresses Councilman Yates and asks if he would like for our staff to be in perfect final form. He states he would like to correct something that he sees is incorrect. He states sure that would be fine with him. Councilwoman Boone says Mr. Chairman can you make that happen. Councilwoman Boone states usually on Friday they are presented to us so you have until Wednesday to get in the corrections. Councilman Yates states that is a good suggestion. Councilwoman Boone says that is the way it has always been.

Budget modification- Councilwoman Red Corn states this budget is changing to add indirect costs.

Motion is made by Councilwoman Red corn to approve C395 budget amendments to add indirect costs. Motion is 2<sup>nd</sup> by Councilwoman Erwin.

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

Motion is made by Councilman Yates to approve S510 for FY16. Motion is 2<sup>nd</sup> by Councilwoman Erwin.

Discussion: Councilman Yates inquires what a professional fee is. Councilwoman Red Corn states it's just always been there. Chairman Waller states it's to go get computer specialists, things like that, it has always been there.

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

8 -YES 0 -NO

Councilman Redcorn announces that we did not get the grant for the Orphan Well Program.

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

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

8 -YES 0 -NO

Meeting adjourned at 2:00 P.M.

Minutes Submitted By:



Minutes Approved By:

