

OSAGE MINERALS COUNCIL
REGULAR MEETING
WEDNESDAY DECEMBER 16, 2015
MINUTES

Call to Order

Chairman Waller calls the meeting of the Osage Minerals Council to order at 10:00 A.M.

Opening Prayer

Chairman Waller 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, Everett Waller, and Andrew Yates.

Guests in attendance were Jinx Geurin, Chris Rech, Joy Ledbetter, Janel Perry, Florence Trantum, Shane Matson, Jamie Sicking, Charles Wickström, Lonnie Hudgins, Marcy Graham, Nona Roach, Linda Heskett, Julie Wilson, Bob Knappe, Tom Lackey, and John Maker.

Accountant Reports

Chairman Waller states the accountants will not be present today.

Auditor Report

Jim Swan gives auditor report. He states in November total collections was \$3,019,275.98. Average price per barrel of oil is \$44.53, November's Average highest posted price \$39.26. Today's highest posted price is \$33.77. Average Daily barrels of oil produced 12,755. Gross barrels produced were 395,421, royalty barrels 61,231, and gross barrels vs royalty barrels 15.49%. Total oil royalty for November was \$2,730,248 total gas royalty was \$226,713 tank bottom royalty \$150 for a total of \$2,957,111, and the average bonus was \$1.61.

BIA Reports

Superintendent Robin Phillips gives the BIA report. She reports the branch of field operations reports that 2095 Purchase run tickets were reviewed and scanned, 3 well pluggings witnessed, 69 lease inspections, 47 follow-ups, 20 leases checked for production and primary term, 31 trucking permits issued, 20 tank strappings witnessed, inspected 11 spills, 41 follow ups, 26 tanks gauged, 36 calculations, and 1 tank bottom removal was witnessed. She states that the Branch of Lease Management reports there have been 14 lease terminations. She says they also reported there were 18,112 less 3,255 for salt water disposal and other wells for a total of 14,857

wells. She states on those matters for 25 CFR part 214 the leases that sold the most were APAC who sold 48,473 tons, Candy Creek Crusher with 17,985 tons, and Casey Hindman with 4,088 cubic yards. She states that the Branch of Subsurface Minerals reports that 7 drilling permits were approved and 26 workover permits were approved. The Branch of Enforcement and Lease Compliance reports there were 10 EAs received, 23 non-compliance notices sent, and 2 fine letters. Councilwoman Erwin states she would like a monthly report from the purchasers. Councilwoman Boone states she would like that number of people asking for information on the report. Councilman Cheshewalla states that at the end of last month he had an annuitant call IIM and the lady on the IIM side asked if she would like to drop her restricted status. Superintendent Phillips states she will have to refer that to Janell Perry, the FTO at OST. Ms. Perry states she was aware of the situation and the IIM person was referring to receiving the money and not property holdings. It just refers to if you want your money disbursed or held.

Councilwoman Erwin asks how many tank batteries we have in Osage County. Deputy Superintendent Richard Winlock states there are approximately 6500, give or take. Councilwoman Erwin asks if he knows what percentage 26 is of 6500. He states he does not know. Councilman Cheshewalla states half of 1%.

Councilman Yates says to Superintendent Phillips that they got 23 notices of noncompliance and 2 fines letters. He asks if the new way the BIA fines are in place now. Superintendent Phillips states that as of December 10th. She then says the Osage Agency has continued to work with lessees so that they can come into compliance. The two highest fines were assessed to Devon and Chaparral for failure to report correctly. Councilwoman Boone states just for the record the fines go to the BIA. Superintendent Phillips states no it goes to the US treasury. Councilman Crum asks how the new policy is being distributed to the producers. Superintendent Phillips states she will see about getting it on the website.

Councilman Cheshewalla says on the second page "remediate spill area including all contaminated soil to the extent the affected soil can support vegetation." When has the language been included, and are they able to? Superintendent Phillips states with the compliant tracker they are identifying all complaints being made. They can't actually close the complaints until there is vegetation.

Councilman Crum states some were able to attend a demonstration on inspection of a gas meter, and he would like to thank Superintendent Phillips for setting this up.

New Business

A.M. Cohron and Son- Chairman Waller states that Mr. Rech came to the Council Friday and is not going over 5000 cubic yards. He has not got a call back from ODOT and has not heard back. Councilman Crum asks if a letter will suffice saying that he should be issued a sandy soil permit with fines waved.

Motion to issue A.M. Cohron & Son a sandy soil permit with fees waived is made by Councilman Crum and 2nd by Councilman Cheshewalla.

Discussion: Councilwoman Erwin asks if we do this will Chairman Waller visit with ODOT before the letter gets sent out. Councilman Crum states he thinks this gentleman probably needs it right away.

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

7 -YES 0 -NO 1 -ABSENT

Builders Unlimited- Chairman Waller states this is a nation's project. Councilman Crum says it is in the same parameters. They are just moving stuff around.

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

7 -YES 0 -NO 1 -ABSENT WW Oil Company- Chairman Waller asks the council if there are any questions. Councilwoman Boone asks if he would consider allowing us to have the 1/6th royalty rate until the price of oil elevates and then they convert and do the infrastructure with the 20% royalty. Mr. Wagoner states he does not have a problem with the 20% royalty rate, but he does not foresee a time when one well will warrant building a new infrastructure. Councilwoman Boone says that is what will keep you from getting the new infrastructure to us. He states yes he would have to build a new tank battery. She states so even if the price of oil goes up he wouldn't be receptive to the 20% royalty. He states no he would not. Councilman Crum asks if it was designated as a consolidated lease. Mr. Wagoner states he believes so. Superintendent Phillips agrees. Councilman Crum states so this has not produced oil since 2002 and you got your assignment. Mr. Wagoner states yes, he got assignments for all four, but two quarters were terminated for non-production, even though they were part of the consolidated lease. If it hadn't been that way then there would be an infrastructure for the other wells then 20% wouldn't be an issue. Superintendent Phillips states she is going to bring in Cammi, the specialist, to make sure. Chairman Waller states one well does not hold the lease its one well per quarter section. Councilwoman Erwin asks if he actually paid for the lease. Mr. Wagoner states yes. The lease bill of sale gave rights to produce. Councilwoman Erwin says so they sold a lease they didn't own? Mr. Wagoner says that it hasn't been terminated.

Chairman Waller announces that after executive the OPA asks for some time.

Chairman Waller then states items B and C on the agenda will be taken care some other time.

Cammi enters the meeting. The question was on the consolidation after the bill of sale is he allowed that quarter. Mr. Wagoner said that this was a consolidated lease on with one lease number connected to one tank battery. He understood that production on one quarter held all

quarters on a consolidated lease. Cammi states they are 4 separate leases. It is a consolidation which does it is going into the same tank battery. In a consolidation they all have to be producing. There has to be at least one producing well on each of the quarters. Mr. Wagoner states he would have no problem with the 20% royalty but it is just not economically possible.

Motion to accept WW Oil Company lease on the SW/4 section of 34-23N-8E at the negotiated price of \$3600 for oil only and 1/6 royalty is made by Councilman Yates.

No second. Motion dies on the floor.

Superintendent Phillips states that she wanted to inform the Minerals Council that APAC will receive a letter stating they are going with the regulations.

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

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

6 -YES 1 -NO 1 -ABSENT

Executive session entered at 11:02 AM

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

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

7 -YES 0 -NO 1 -ABSENT

Executive exited at 11:33 A.M.

Old Business

Chairman Waller states that Councilman Redcorn will take care of the statistician after the first of the year.

Meeting Minutes- Councilwoman Boone states that she does not know if anybody else read the minutes but she found some grammatical errors in the minutes that she needs to submit.

Councilman Crum states that he would like to table it until the corrections have been made.

Motion to table minutes is made by Councilman Crum and 2nd by Councilwoman Erwin.

Discussion: Councilwoman Boone asks if anyone else found any errors. Councilman Crum states he hasn't read them. Chairman Waller states he has not at this time.

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

6 -YES 1 -NO 1 -ABSTAIN 1 -ABSENT

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

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

7 -YES 0 -NO 1 -ABSENT

Meeting adjourned at 11:35 A.M.

Minutes Submitted By:

Lace Reynolds

Minutes Approved By:

EW