

**OSAGE MINERALS COUNCIL
REGULAR MEETING
OSAGE COUNCIL CHAMBERS
PAWHUSKA, OKLAHOMA
FEBRUARY 17, 2016
MINUTES**

Call to Order:

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

Opening Prayer:

Councilman Talee Redcorn gave the opening prayer

Roll Call:

Minerals Council Executive Administrative Assistant Lacey Reynolds called the 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. A quorum was declared.

Visitors to the meeting were Florence Bigheart Trantum, Dale L. Jesse, Janel Perry-OST, Teresa Rutherford, Joy Ledbetter-OST, Beverly Brownfield, Jim Revard, Jamie Sikking, Don Williams, Bob Knappe, Jerry Reiger, Scott DuCharme, Gene Bowline, Rodney Tate, Jean Dennison, Nona Roach, Rosalind Karlin, Stan DeLong, Leigh Kuykendall and Rhonda C. Wallace.

Accountant Report:

CHAIRMAN WALLER: Accountant Report. I'd like to say that Jim Swan has been unavailable. We'll catch up with him, as soon as we can, and then have him brought in with information to our Council. We'll get to that as soon as possible.

I'd like to go on to the Superintendent's Report. Do you have a question?

COUNCILWOMAN BOONE: Yes, I do. On the accountant's...not our accountant, but the accompanying department's report that's in here...

CHAIRMAN WALLER: Yeah.

COUNCILWOMAN BOONE: Has anyone of us received the final interest rate for Indirect Cost? Because I've noticed it had gone back from \$3,000 to \$8,000 a month. She said it would be around February before the final percentage. Have we received any documentation about what the actual percentages are going to be?

CHAIRMAN WALLER: No, ma'am. I hadn't.

COUNCILWOMAN RED CORN: The percentage remains the same, but it depends on how much we send through there, but it's based on that.

COUNCILWOMAN BOONE: So, we're being penalized for spending the money to take care of the business in the Minerals Estate. It's based on the amount of money that we process through that department. Am I understanding that correctly, Councilwoman Red Corn?

COUNCILWOMAN RED CORN: Well, it is just based on how many requests we make, and things like that. But that's what it's based on. So, it will vary.

COUNCILWOMAN BOONE: OK, so if the percentage is based on the amount that we process through that department. OK. Thank you.

CHAIRMAN WALLER: Thank you, dear. Yes.

COUNCILWOMAN ERWIN: Chairman, may we request from the Executive the copy of the approved Indirect Cost proposal that we'll be using for 2016, sir?

CHAIRMAN WALLER: I'll have to contact the Accounting office. We'll ask for the copy of the approval for that is being maintained.

COUNCILWOMAN ERWIN: Yes, sir.

COUNCILWOMAN RED CORN: That percentage is based on when we started out, at the beginning of this Fiscal Year.

COUNCILWOMAN ERWIN: Yeah, but they can make a recommendation...

CHAIRMAN WALLER: We were actually told they were going to send out...

COUNCILWOMAN ERWIN: Yeah, because the approval of the Indirect Cost for 2016 was not going to be approved until like February. So, they can go back and change that rate, if they need to.

CHAIRMAN WALLER: And we'll see that.

COUNCILWOMAN ERWIN: Yes.

Superintendent's Report

CHAIRMAN WALLER: Any other questions? Seeing none, I'd like to go to Superintendent's Report.

SUPERINTENDENT PHILLIPS: Good Morning. During the month of January, the Branch of Lease Management reported 26 assignments were approved; 35 Division orders were approved; and six leases were terminated. They also reported 18,108 less 3,255 for salt water disposal wells and other wells for a total of 14,853 wells in Osage County. Leases that sold under 214 would show APAC, Candy Creek Crusher, Casey Hindman and Rocky Bates. We had a total of 12 requests for lease information, one was treated as a FOIA. The other eleven were treated as non-FOIA. Branch of Sub-Surface Minerals, they approved three workover permits and 19 plugging permits. Branch of Enforcement Lease of Compliance, they reported 9 EAs that were approved. They recorded a number of non-compliance notices in the amount of 18, and that pretty much completes my report. Oh, I do want to invite you all to an EIS Meeting on February 24th at 10:00 A.M. at the Osage Agency. A letter will be forthcoming. I'll send a letter over to the Chairman and insure that you all get a copy of it.

CHAIRMAN WALLER: Thank you. Council.

COUNCILMAN YATES: I missed the first part of that. What was...

SUPERINTENDENT PHILLIPS: It was an EIS Meeting at the Osage Agency, February 24th at 10:00 A.M.

COUNCILWOMAN ERWIN: In your Conference Room?

SUPERINTENDENT PHILLIPS: Yes.

COUNCILWOMAN ERWIN: So this is just going to be us? It's not a very big conference room. OK. I do have a question. Last week, I asked you to bring me up to date on the, I don't know exactly what it's called, Branch of Energy Leases...

SUPERINTENDENT PHILLIPS: Yes.

COUNCILWOMAN ERWIN: ...I need to know exactly where we are on that. I'm kind of curious. I read, I can't find all my papers on it, but I have a timeline here. I'm curious why we haven't terminated.

SUPERINTENDENT PHILLIPS: Unfortunately, I wasn't able, about Friday, that you asked for that information. I wasn't able to get that information, prior to this meeting. We are working on it.

COUNCILWOMAN ERWIN: Yes, ma'am. OK, and when you give me that information, could you give me your opinion of your Solicitor, because I'm sure he gave an opinion on whether or not that Federal judgment in Illinois has anything to say about what we do here in Osage County.

SUPERINTENDENT PHILLIPS: OK. It may take a little longer for an opinion, but I will ask.

COUNCILWOMAN ERWIN: I do want to know why we haven't terminated it. It's a non-producing lease, and then, all that special stuff happened between those people, and that's none of my business, but I do know it's not producing anything, and it should have been terminated. Anyway, I would like to have that, ma'am.

SUPERINTENDENT PHILLIPS: I'll get that for you.

COUNCILWOMAN ERWIN: OK.

CHAIRMAN WALLER: Councilwoman Boone.

COUNCILWOMAN BOONE: I'm curious to know on the Branch of Lease Management if any of these lease assignments, division orders or lease terminations were done in Colorado?

SUPERINTENDENT PHILLIPS: No. These were done at the Agency office.

COUNCILWOMAN BOONE: Another question. On the number of EAs received for APDs, there were two for Chaparral. Are these the two where you had issued a permit, and then asked for it back?

SUPERINTENDENT PHILLIPS: These were the two new ones that we've gotten. We've gotten two new EAs...

COUNCILWOMAN BOONE: Are these the two that pertain to the ones that you gave them the permit and then asked to be returned?

SUPERINTENDENT PHILLIPS: No.

COUNCILWOMAN BOONE: OK. Third question. Last month, I had asked you about a letter that you had sent out regarding fines. Your letter December 10, 2015, Violations of Associated Fines and Penalties, I was particularly interested in the fine that you have about bringing up the electric to the National Electric Code, and I did reference at that time the only place that I had seen that was in the Federal Register, where the final regs came out under Part 226.46. So, my question was, if the new regs were not approved, how can you set up a fine for something in the new regs?

SUPERINTENDENT PHILLIPS: Previously, two...My Deputy Superintendent reminded me that there's litigation right now, so I don't know if I'm going to be able to respond.

COUNCILWOMAN BOONE: Well, if you're sending these out to everybody, why can't you respond to it? And, if it's under litigation, why did you even send it out?

SUPERINTENDENT PHILLIPS: What I will do is I know there's some type of response that has been reviewed or in the process of being reviewed. I will see what I can do about...

CHAIRMAN WALLER: From your department?

SUPERINTENDENT PHILLIPS: From the Solicitor's office.

CHAIRMAN WALLER: Yes, ma'am.

SUPERINTENDENT PHILLIPS: I will see about that, and if I can get something to the Minerals Council.

COUNCILWOMAN BOONE: Can you do that, before next month's meeting?

SUPERINTENDENT PHILLIPS: Yes.

COUNCILWOMAN BOONE: Thank you.

CHAIRMAN WALLER: Council, is that it?

COUNCILWOMAN BOONE: That's all. Thank you.

CHAIRMAN WALLER: Councilman.

COUNCILMAN YATES: Ms. Phillips, I've got to get my copy of your email, the report.

SUPERINTENDENT PHILLIPS: Unfortunately, I just got that out this morning.

COUNCILMAN YATES: I know I hadn't got it yet, and I didn't think about it.

SUPERINTENDENT PHILLIPS: There was a few things that were going on the last couple of weeks, and I was, unfortunately, just not able to get it out, so I do apologize.

COUNCILMAN YATES: I'd like a copy of it.

SUPERINTENDENT PHILLIPS: You bet.

CHAIRMAN WALLER: Councilwoman.

COUNCILWOMAN ERWIN: OK. Mr. Winlock, what exactly is your title?

DEPUTY SUPERINTENDENT WINLOCK: Deputy Superintendent.

COUNCILWOMAN ERWIN: Deputy Superintendent. OK, I didn't know if you were Assistant Superintendent. OK. But it's Deputy. OK. I noticed on here we had 21 tanks gauged. That's better than it was the last month. We only had about six. Now, we have 21. I applaud you for that, but I want you to tell me, how many tanks do we have in Osage County?

DEPUTY SUPERINTENDENT WINLOCK: I don't recall. I'd have to look back and see what I told...

COUNCILWOMAN ERWIN: You don't recall? Approximately, there's 8,000.

DEPUTY SUPERINTENDENT WINLOCK: I don't remember everything I tell you. I believe it's around 8,000.

COUNCILWOMAN ERWIN: Yes, sir. It's approximately 8,000.

DEPUTY SUPERINTENDENT WINLOCK: Yeah.

COUNCILWOMAN ERWIN: Well, I do appreciate you making the effort. It's about three times what you all did last month, and I would appreciate if you'd do three times as much, next month.

DEPUTY SUPERINTENDENT WINLOCK: We'll do the best that we can.

COUNCILWOMAN ERWIN: OK. Well, I'm expecting you to do better, Mr. Deputy. Thank you.

CHAIRMAN WALLER: Any other questions? Council. Oh, please (to Superintendent Phillips), go right ahead.

SUPERINTENDENT PHILLIPS: Councilman Redcorn had asked if you could set up another gas meter testing, and we do have something proposed with Kendall Morgan, northeast of town, possibly the first week of March. So, as soon as we get that set up, we'll send it out to you all. We'll set up a time. Is 10 o'clock a good time? Was 10 o'clock good the last time? 10? 11? 10? 9? 8?

COUNCILMAN REDCORN: 10.

SUPERINTENDENT PHILLIPS: 10.

COUNCILWOMAN ERWIN: You may not know this. I'm real curious. They made a statement last time that they're actually hooked up to an office in Dallas, or somewhere in Texas, and I'd like to be able to know just how they can come in and change everything from Dallas? I would like to know how that system works. If you don't have it, maybe when you're talking to them, maybe they can brief you on that, so you can get us some paperwork on it.

SUPERINTENDENT PHILLIPS: I will see if I can have someone here to explain this.

COUNCILWOMAN ERWIN: Yes, ma'am. Thank you.

CHAIRMAN WALLER: Councilwoman, are you talking about Kendall Morgan?

COUNCILWOMAN ERWIN: Well, we were out there, and we were told that the meters can be adjusted, or whatever has to be done down in Texas. I'd like to know how that works.

CHAIRMAN WALLER: Go right ahead.

COUNCILMAN REDCORN: Thank you, Chairman. I've been getting the reports from the Bureau on their lease, and I wanted to make sure how many leases are we approving, say a month, per month of drilling for? I've got the report here. I'm sorry. I just want a qualitative answer. How are we doing, forms-wise?

SUPERINTENDENT PHILLIPS: As far as terminating goes?

COUNCILMAN REDCORN: Yeah. Permitting for a lease, and then APD. I'm getting some feedback from a lot of folks that feel like we're dragging, and we're not approving quick enough. I'm getting a sense that we're talking about the EA and a lot of these issues, is that correct?

SUPERINTENDENT PHILLIPS: That is correct.

COUNCILMAN REDCORN: OK. So, how do you feel – Are we closing down on the problems as far as how the EAs are holding up?

SUPERINTENDENT PHILLIPS: Well, on the permits for workovers and pluggings, I've seen that we haven't reached processing permits and the information that we provided to you in your packet that shows the pending permits at this point. You see that the majority of those are all waiting on an environmental document.

COUNCILMAN REDCORN: OK.

SUPERINTENDENT PHILLIPS: And those are for drilling. So we are doing better, as far as processing APDs for permits workovers and pluggings. We still have the requirement, as far as drilling goes, we have the requirement of having an EA. The Agency's either working with individuals and reviewing their EAs for the Agency itself is comparing the EA.

COUNCILMAN REDCORN: OK. Just another question. Mr. Daniels is doing the egress/ingress determinations. I thought that was my understanding. I thought, before, it was a PET task.

DEPUTY SUPERINTENDENT WINLOCK: No. The Petroleum Engineering Techs, if there's an issue with ingress/egress, they actually go out and set that router meter line over in leasing.

COUNCILMAN REDCORN: OK. And so, Mr. Daniels is the contact in the letters that I've seen. So, for the lessees to contact for egress and ingress, I was just wondering why he's involved in that process.

SUPERINTENDENT PHILLIPS: Now the letters that we have been sending out on non-compliance is identified in that to assist.

COUNCILMAN REDCORN: So, if they're out of compliance...

SUPERINTENDENT PHILLIPS: Yes, he is the manager of the Branch of Enforcement and Lease Compliance, which includes Environmental.

COUNCILMAN REDCORN: Last question. There's a line between monitoring the leases that are already involved and then going. What's your take on the applications? We've got a notion that we've been communicating on our side to maybe look at a question of making a 139 and streamline that you don't have to go back to your door to make a change on your lease or whatever you want to do. My question is, how do you feel about or have you guys ever talked about the process that you get a lease, and then follow up if someone wants to drill, he's got to apply for an ATD – he or she – and with that comes another EA step? So, I guess the thing is we're interested in is there a way we can streamline the whole process, but we're not letting the document lead us which way we're going to go. We'll tell the document, hey, we get one lease, it does its EA, and we move forward. What do you think of that?

SUPERINTENDENT PHILLIPS: Well, the Agency itself has already done problematic EA for leasing, so we have taken care of approving leases.

COUNCILMAN REDCORN: But still in the PEA, there is additional steps to determine if it's PEA-qualified document.

SUPERINTENDENT PHILLIPS: As far as leasing, I don't believe that's correct.

COUNCILMAN REDCORN: OK, so, anybody walks in automatically, they're going to get an EA-approved lease.

SUPERINTENDENT PHILLIPS: No. Basically, we're going to use our programmatic EA for leasing to approve the lease...

COUNCILMAN REDCORN: So, there's still steps to add.

SUPERINTENDENT PHILLIPS: Basically, this, and enforce the Agency Branch of Enforcement Compliance and Environmental has approved a programmatic EA for workovers and plugging. So, on those APDs, we are able to proceed as long as it falls under that programmatic EA. Right now, at this point, you still would have to do an environmental assessment for all new drilling, because we do not have a programmatic EA that covers that.

COUNCILMAN REDCORN: OK, so still with the programmatic EA, there's still determination steps environmentally that have to happen to determine if it fits under the program.

SUPERINTENDENT PHILLIPS: That is correct.

COUNCILMAN REDCORN: Thank you.

CHAIRMAN WALLER: Council.

COUNCILMAN YATES: My question is on the workovers. I see that they're improved in 19 plugging permits through this month.

SUPERINTENDENT PHILLIPS: January, yes.

COUNCILMAN YATES: My question is once those workovers are approved and operators are notified, are they going ahead and getting started on these workovers on their wells or pluggings, or are they finding the conditions that you list back to the approval too restrictive, the RCNs? What are your thoughts on that?

SUPERINTENDENT PHILLIPS: We have had a few individuals that had called us and asked us about that, and we brought them in and we are working with the Petroleum Engineer out of Lakewood to see what we can do with, as far as that particular situation.

COUNCILMAN YATES: But overall, they've been alright with their workovers?

SUPERINTENDENT PHILLIPS: I guess so.

COUNCILMAN YATES: I only heard two.

SUPERINTENDENT PHILLIPS: Yeah.

COUNCILMAN YATES: Got some resistance to oil in the conditions that are listed, but the majority I figure they can go ahead...

SUPERINTENDENT PHILLIPS: Yes.

COUNCILMAN YATES: OK.

CHAIRMAN WALLER: Councilman.

COUNCILMAN CRUM: I think Councilwoman Erwin had her hand up, first.

COUNCILWOMAN ERWIN: OK. I've got two questions. First question, do you have a list of all the abandoned wells that have potential funding?

DEPUTY SUPERINTENDENT WINLOCK: We have a pending list. Yes.

COUNCILWOMAN ERWIN: Do you? Could I get a copy of that, please?

DEPUTY SUPERINTENDENT WINLOCK: I'm sure. Yes.

COUNCILWOMAN ERWIN: OK. And, my second question, Mr. Winlock, is that, and the question Cynthia asked a while ago, you said it was because of litigation. You couldn't answer the question, that Madam Superintendent couldn't answer the question? Could you tell me, exactly, which case, what litigation is pending that you can't answer that case?

DEPUTY SUPERINTENDENT WINLOCK: I can't answer exactly what case, but there's so much of it intertwined. All I know is that it's part of the litigation.

COUNCILWOMAN ERWIN: Well, see, it probably would have been part of the neg-regs, and that was remanded back. So, I don't understand. You're going to have to be more specific when you say, 'because of litigation', you really need to quote and tell us the case that it's, you know, what's stopping you from answering that, instead of just litigation, because we have several cases going on.

SUPERINTENDENT PHILLIPS: We do.

DEPUTY SUPERINTENDENT WINLOCK: We can find out.

COUNCILWOMAN ERWIN: OK. And if the Solicitor says that it's part of the neg-regs, could you please be able to answer that question, next time you meet with us, please?

CHAIRMAN WALLER: Council.

COUNCILMAN CRUM: I want to back up a little to the permitting that programmatic EAs that Councilman Redcorn talked about. I'm a little confused, perhaps, and I want to make sure that I'm not. I don't know. Specifically, on the issue of leases, in the past, nobody ever thought about issuing a piece of paper.

SUPERINTENDENT PHILLIPS: There's no change.

COUNCILMAN CRUM: There's no change, and everything else. But, it was determined that that is an action by yourself. There is no actual thing with the person who has purchased the lease. There's no action there, other than you have looked at it. You have a programmatic EA, so now you say you can decide. So, at that point, there's nothing for them to do.

SUPERINTENDENT PHILLIPS: That is correct.

COUNCILMAN CRUM: And it sounds like, in the discussion, that maybe even under the leasing, there's something for them to do, was there?

SUPERINTENDENT PHILLIPS: No.

COUNCILMAN CRUM: As you point out, there are RCM's and things that are part of the workovers that may or may not cause them to do things in order to fit in within the programmatic EA and plugging. Alright.

I just wanted to make sure that there wasn't something people were having to do prior to getting a lease. It's just that, now, you have to assign it by having done that work. Thank you.

CHAIRMAN WALLER: Thank you. Council.

COUNCILMAN REDCORN: I just want to make sure that maybe not on the lessee's end that things are happening, but on the BIA end, there's still the steps to determine if the process still fits under the PEA. This may drive the point.

SUPERINTENDENT PHILLIPS: Basically, on all leases, now, all leases will be approved under the programmatic EA that has been performed for leasing approval by the Bureau of Indian Affairs of the Osage Agency.

COUNCILMAN REDCORN: So, one of these gentlemen or ladies come in to your office and apply for a lease. They're going to, automatically, be put under the PEA process.

SUPERINTENDENT PHILLIPS: The approval of the lease. Yes.

COUNCILMAN REDCORN: OK. So, there's no determinations on your side, and any of your staff to make the assessment that it has to be approved, to be a part of the PEA.

SUPERINTENDENT PHILLIPS: Well, basically, what will happen is they will come over here to you, and you'll pass a resolution, and I will prepare a lease. Get all the appropriate signatures, and when it comes in for my review and approval, then using that programmatic EA will take care of the NEPA requirement on approving the lease.

COUNCILMAN REDCORN: OK. So, if I understand, you're going to have the document in front of you, which is the review process to ensure that the EA's, the signatures from us is OK?

SUPERINTENDENT PHILLIPS: Yes.

COUNCILMAN REDCORN: OK. Thank you.

CHAIRMAN WALLER: Any more questions?

COUNCILWOMAN ERWIN: No, but when we go into Executive Session, can we ask her to come back for a minute? I'd like to have a little update on something.

CHAIRMAN WALLER: Sure. Council. That'll be fine. Superintendent, does that take care of your report?

SUPERINTENDENT PHILLIPS: Yes. Thank you.

COUNCILMAN REDCORN: Thank you.

CHAIRMAN WALLER: I just want to highlight one item, though, going to 8,000. Just in reviewing it, there's 18,038 purchase run tickets. Last year, we were looking at 2,400. So we're dropping that many loads, 600, and that's why the reflection is not only the price of oil to get the \$3,500 Headright Payment, but also the production.

COUNCILMAN REDCORN: Can I comment on that, Chairman? I appreciate that comment. I'm curious with oil being \$27/bbl., we're going to see a change in what's going on in our unique process out West, and when that happens, how's that going to show, reflect on our stay-at-home guys that work hard and produce this oil in this tremendously difficult time that they're given, right now? I just want to make sure we're aware that there might be some changes. I don't know. I've heard some things, but our operation out of Burbank,

we need to be cognizant at certain conditions in that it might be useful to shut that thing down, rather than operate when oil goes so low. The last time I remember gentlemen from Chaparral, that they're still operating in the red trying to pay all that infrastructure off. So, just be aware if that goes down or they stall it for a while, we need to be cognizant that it's going to really impact. But the good thing is that little show what the producers in Osage County have been experience, and it's a downward trend. Thank you very much for this. Also, I'll predict that royalty rates will go up, because our royalties out there are only 1/8th. So, if we see Jim next month, I'm really looking, if these go down, or if these are reflective of the whole County, that royalty rate percentage goes up, then that's a very big indication, of course, productional. So, just to be forecasting what's going on in the future, balanced on the performance of Chaparral.

CHAIRMAN WALLER: Yes, sir. Thank you.

COUNCILMAN REDCORN: Thank you very much for that.

COUNCILWOMAN ERWIN: Is that in regards of what you were talking about? I've already talked to our attorney about what happened. You know, unforeseen consequences here, and I'm telling you what, I'm getting ready for them.

COUNCILMAN REDCORN: Thank you.

CHAIRMAN WALLER: Council, any other questions? Thank you so much.

NEW BUSINESS

Wellco: Stan DeLong – Extension

CHAIRMAN WALLER: And, with that, I'd like to go into the New Business. Mr. DeLong, Wellco. From our meeting Friday, we discussed all elements to us on days of permitting and how long it's taken. Did you have anything to add, since we've seen you Friday, Sir?

STAN DELONG: Well, she mentioned that she (*this portion of a sentence not able to be transcribed*) were included in that. One thing that concerns me, and I talked to my attorney was this plan. Somebody had brought it up on the regulations as to the 139s. I don't know what's going to happen. I know there's a lawsuit on it right now. I don't know if it's going to be advisable to do the work or not. But, I hope she gives them to me, the permits, so we can, at least, cross this one bridge.

CHAIRMAN WALLER: Is this the NW 8, one of the quarter sections you're talking about?

STAN DELONG: Yes.

CHAIRMAN WALLER: OK.

STAN DELONG: ...815, what I saw was like eight or nine pages, and it seemed to be all the rules were held back or back out of that first lawsuit. A lot of those things have been included, what little I know about it, and it's not a good sign for the Osages, putting more restrictions on them. We operators, we're not making any money, anyway. I can't make money. I'm a little bitty guy. We can't make money now, putting up with all the restrictions. All I'm doing is I'm selling all my oil. The last year and a half, I'm selling my oil because production's going down and not increasing anything because I can't get a permit. I'm sure everyone else is in the same because of the production problem. You have to drill; you have to really complete to get this low-volume production going. I've done nothing in 15 months, except watch my production go down. So, it's a bad time. I've been it in a long time. So, the 80's were bad, the 90's were in a bad spot, but this is probably as bad as any spot I've ever witnessed in my life. I even remember the '59 and '60 crash. So, it was not a good, people were selling in Osage County, some of the people were

having trouble back then. So, I don't know where I'm going with this. But then, all these restrictions are going to be attached to these 139s are going to add another stumbling block for me. I only have 60 days to go.

CHAIRMAN WALLER: Council.

COUNCILMAN CRUM: Perhaps, Superintendent, we asked her to do some things to check into whether some of this stuff would be workovers and let's get it faster. At least I did. I wonder if you could tell us, as you had your hand up a while ago. Could you tell us what did that?

SUPERINTENDENT PHILLIPS: On these particular ones, the Agency prepared the Environmental Assessment, and with the Agency preparing the Environmental Assessment, it's going to take some time for the Agency to do that. So, we've gotten one Environmental Assessment that's going to cover two wells and a salt water disposal well, and we're hoping to get the other one done today. I've got two individuals that's preparing Environmental Assessments as well as reviewing them.

CHAIRMAN WALLER: Council.

COUNCILMAN CRUM: So what will that mean in terms of timeline for him to be able to go to work on the workovers?

SUPERINTENDENT PHILLIPS: Right now, at this point, we approve those today, he's going to have to wait 30 days, because it's got to be published for 30 days, before we can actually issue the permit, itself. So, he is correct that he's only got 60 days.

COUNCILMAN CRUM: Now, 30.

CHAIRMAN WALLER: Less.

SUPERINTENDENT PHILLIPS: 30. You're right.

STAN DELONG: I do have another question.

CHAIRMAN WALLER: I'd like to hear it.

STAN DELONG: I just turned in another 139 form today for a salt water disposal well that's been shut down by the EPA. The EPA's fighting over – This isn't even my well. I'm trying to make a living, so I'm doing some consulting.

CHAIRMAN WALLER: Yes, sir.

STAN DELONG: The man did this work in 2014. I don't know the whole story, but apparently, the EPA has been arguing who's supposed to do what and where. I talked to one EPA employee in Dallas told me, Drew Andrew, that the well was approved to be used. In October, Kent Sandmore shut the lease down. So, the lease...

CHAIRMAN WALLER: The 15th?

STAN DELONG: In October 15, Kent Sandmore came out and shut the well down, because he says it doesn't have a permit. It was one of those, what do you call it, ARV? Approve by rule, AVR. Approved by rule disposal well. Yes, I was told I could use this, so I thought I'd call somebody else in the EPA. This other EPA man said, 'No, you can't use it'. So, what they did to run a line in the well apparently made an argument on what I was supposed to get another permit for, which has never had a permit. And now, how long is that going to be? Is that lease going to be done another 15 months' study? 15 months, and 12

months for three more. You can't – I keep hearing all this talk. Maybe it's going to be quicker, but it would be a whole lot quicker, because we're dying. And we're dying because of rules from the Federal Government, and I sit here and listen to all these initials and I'm ready to leave. I'm kind of tired listening to it, and I apologize.

CHAIRMAN WALLER: That's alright.

STAN DELONG: It's just a tough time in life, and it's just pounding on us. And it's fixing to drop more. Anyway...

CHAIRMAN WALLER: I've seen it drop, but I've never seen it drop cataclysmic problem that we've had elsewhere with it. That's the difference with what we're facing right now, and I appreciate your comments. I really do.

STAN DELONG: I tried to talk to him over six months ago to started this process. He said, 'Yeah, well, money's down' and it's taken this long. Guess I was called rich a year and a half ago, but that's all gone away, and I'm not rich anymore. I'm just kind of scrambling to survive.

CHAIRMAN WALLER: Yes, sir.

CHAIRMAN WALLER: Councilman.

COUNCILWOMAN BOONE: Mr. DeLong, how much of an extension would you like to have, because I would be willing to make a motion to grant you an extension of time?

STAN DELONG: Well, if you could tell me the oil price is going to go up, I'd say that.

CHAIRMAN WALLER: Are we allowed to go into the extension part?

SUPERINTENDENT PHILLIPS: It would require a new lease.

CHAIRMAN WALLER: There's some fundamental things that have to happen for the lease of it. He gives it up. You terminate it. The ink dries, then it comes to us. Council.

COUNCILMAN REDCORN: I guess you're talking about two separate issues of salt water...

STAN DELONG: I just brought that up to tell you what time is it going to be. Is it just going to be another twelve months? It's just government paperwork.

COUNCILMAN REDCORN: I'll tell you my position. Now, I've been on here a year-and-a-half ago, and we're in the business of selling leases to sell oil. We're not the producer itself. So that's the side we're on. The only way we've complained, you've complained, the only way I think we get success going is if we can show and demonstrate how it's impacting in a negative fashion. So, that's how we're tasked to do these things, and I'm sorry that's the case, because it seems like no one's listening. We, on this side, sell leases to sell oil, or at least the majority of us feel that way.

STAN DELONG: You know what it's like. When I came back to Osage County in 2001, there were very few operators. The business was pretty dad-gummed bad, because Joe Hughlett came up with the idea of getting oil leases and letting us have those things for \$500 to \$750 to \$1,000, and that's... We bought those crummy leases that people abandon...

COUNCILMAN REDCORN: Well, I think you've brought to me the difference between then and now. Then, and I think Chairman was involved, they had to get creative to get guys like you walk in the door. Now, we've got a lot of you guys walking in the door and so it's a different scenario, to me. It's this, over here.

I'm sorry, I don't think it's the same. What I'm saying is, I've not seen 500 producers in a room wanting change because they're in a room wanting change because they're interested in drilling in Osage County. The last time, it dropped so low, everybody took off. They had to be creative to get them back in. But to me, the situation is how the U.S. Government is handling it. We're trying to convince them, you know, this is our problem and we want to be part of the solution, and I'm telling you I'm talking about the property owner, which is the Osage Headright Holder, and we have a unique relationship with the United States. So, we're trying to demonstrate we have a say here. We have the ability to make a change, and in my estimation, at this point, I think they're starting to realize that. So it's not that we...We're on this side trying to convincing a different fashion, and I'm sure you've got your folks, Mr. Sikking, and your folks, your plan of attack is different, and I want you all to know, this, at least the majority feel that maybe I'm wrong and some can say 'no' to a degree, but it seems to me that's the direction we have to go, and to move a 'titanic' may go in a different direction. I didn't realize how slow it is, but it is very difficult.

CHAIRMAN WALLER: Councilman.

COUNCILMAN CRUM: I think we worked through last week and many times before, the six years I've been on the Council that we can't actually extend primary terminal leases against the law, and so we've always had the choice of whether we reissue a new lease for someone who wanted to do that. However, in this case, as we worked out last time, the ones he wanted to work most on perhaps didn't need a new lease, if we could just get the workover stuff going fast enough indicated that there wasn't a whole lot that you had to do on two of them, as I recall in order to make it happen. Whether you can do it in 30 days after you get approval, now that's a different deal. I understand that, but you would have been having talk about a new lease on those at the time it would have been even longer. So, what my goal was and yours, and I think that everybody's last time was to try and find a way for you to get you going as fast as we could, but then, given the situation, granted the 15 months, we were here at this point. I understand the frustration with it taking that long. But at the point, right now is, and this will be your decision. Maybe you don't want to do the workovers if there's anything with the PEA. That's again something that you have to decide. It's their PEA, not ours. At least, at this point, you, at least, have a choice about it, and maybe 30 days to do your stuff. It wouldn't be asked for it to be terminated for non-production, right? Right, because on those two deals there, on the workovers, they don't have the beetle issue, because, presumably, the beetle issue would not be involved within the workover PEA. You'll be able to bypass that. So, we're looking at the time for the end of the session, and I agree with the end of your primary term, and I agree with what Councilman Boone, if it does not turn out that you can do that within that timeframe, I'd be more than willing to issue you a new lease, so that you could complete that work, and as far as the one that was included that had a new well, one that you're really interested in developing, when the economics are there again, to drill a new well that we also issue you a new lease for that one. So, as far as solving this problem, my suggestion is you examine whether you wish to do it or not under the workover scenario and if that doesn't work out, well, then, let us know. We've got time to do it at the next meeting, if I recall, before your time is up, and I would most certainly suggest that we issue you a new lease on all of them, because of the extenuating circumstances that have held you out from being able to complete your lease. Councilman Redcorn wasn't here last time, there were \$65,000 on those leases.

CHAIRMAN WALLER: Councilman.

COUNCILMAN REDCORN: I think it's just as I was asking Ms. Phillips a while ago, this 139 is directing our actions rather than we direct the process, and so that's where we're interested in possibly communicating the with the U.S. Government in changing that. Right now, we've got staff people that drive their decision throughout on 139. So, what you're saying is, is I want to do this. You should be able to come to this group. We should tell you 'yeah, we like you' or 'no, we don't' and then they make it work. But right now, what we've got is, we've got staff people in high levels, and I'm talking staff people who are desperate and make decisions based on this document, the 139. So, it's going to drive, if we're going to do an EA, we need to change that, and it's a hard process when you've got somebody who doesn't have the understanding or feel to be able to come in and change the process, and we do it all the time. I've done it in this job, and I've done it in the last job. But somewhere we're stuck in the middle here, because people

are in high places, and they don't want to change the way they do business, but this is the way of the old. But that's the communication I'm having or trying to have with the United States to say, 'Let's look at this 139 and toss it. It ain't working out for you or me, and looks like it ain't working out for us.' We're trying to sell leases here. You're trying to buy leases, and we're not getting the job done, so we're trying to figure out a way to weasel around that 139 to get you back in the field and that's just not good thinking, unless the communication were trying to push to the Bureau, and that's going on right now. I think you have communication with that and with our attorney.

COUNCILWOMAN ERWIN: Not in a while, but that communication I had with him, I was looking ahead when I was mentioning the other part. That was months ago, when I asked about that.

COUNCILMAN REDCORN: Back on the list on high priority. Thank you.

CHAIRMAN WALLER: Yes. Councilman.

COUNCILMAN YATES: Yes, I was just going to say... we'll get you approval. You're up against spring weather. Looks like you'll be here in April to renegotiate a lease, and I'd be more wanting to help you with your vested interest.

CHAIRMAN WALLER: Yes, go ahead.

STAN DELONG: Glad you're working on that, because it's going to take a long time.

COUNCILMAN REDCORN: But, as you can hear around this table, not everybody agrees, but it makes it difficult. They would rather just have to make a little action here, so we can dance around the 139, rather than grab the 139 and help make them change it, so we can get you to work.

CHAIRMAN WALLER: Go ahead.

COUNCILMAN CRUM: Mr. Chairman, where on earth did the Councilman hear that somebody was against streamlining 139? I did most of the talking here, and I'm most certainly not against that. I'm trying to solve somebody's problem as he has today.

CHAIRMAN WALLER: I understand that.

COUNCILMAN CRUM: And that was what I was focusing on, in terms of this discussion here. Not whether or not streamlining 139 or changing them, I was not against them.

COUNCILMAN REDCORN: I didn't say that, sir. I didn't mention any names, sir.

COUNCILMAN CRUM: What you said was that you went around, because some people are against that? I heard no one say that they were against doing that.

COUNCILMAN REDCORN: Sir, I'm on the Minerals Council. I can tell my opinion on this matter. So, I'm sorry, that is my opinion, and I'm sorry Mr. Yates might take a little more time to express my opinion that these folks voted me in to this position to say, so with all due respect to each and everyone here, I'm going to say my opinion, and I want just mainly want him to go back to work. I don't mean anything negative to anyone out here at all. But I want you to know that we don't all agree and how to approach that, but the majority of us I feel, and I'm going to stick with our vote. I have respect with each and everyone here the ability to say 'yes' or 'no', regardless if I believe them or not or disagree with them or not. The core of the matter is, is this is the governing body that the United States Government should deal with, and they've had a hard time recognizing that. Thirteen people rejected the neg-reg that said in this, and they listened to three, and I put that in front of the United States. Thirteen of these people that sat in these chairs disagreed with the neg-reg. Three agreed, and the United States went with three. Now that doesn't sound like the

United States Governmental system in my book. We believe in the vote and a vote of the people. Somewhere these people got it crossed, and that's why I disagree. We need to turn this thing around and get them to work in reasonable fashion and listen to what we have. And if you disagree with me, that's fine, Ladies and Gentlemen. That's fine. It's the Democratic process. But let's go with the majority vote, because that's what why we're here. I'm asking the United States to listen to our request to revisit the 139 and make it streamlined for the betterment of our producers and for the shareholders. Thank you.

CHAIRMAN WALLER: Thank you. I'd like for this to be the last comment.

STAN DELONG: One more thing. Somebody brought up the extensions and being illegal, and as an operator, as I recall, years ago, they gave extensions. Does that mean the lawyers of years ago didn't know what they were doing or are the lawyers today, so much smarter? I don't understand. It was one way, and we did it for a long time. The truth? I thought it was, and now it's changed. Who makes those kind of decisions? And, I'll shut up, and I appreciate everybody's time. Thank you.

COUNCILWOMAN ERWIN: That SW 8-25-3, is it a producing lease?

STAN DELONG: It's a producing lease.

COUNCILWOMAN ERWIN: Because I recall you saying the first oil well was February 16 in 2016.

STAN DELONG: It is.

COUNCILWOMAN ERWIN: So, I don't know why there can't be an extension done on that. It's producing.

CHAIRMAN WALLER: ...Get everything corrected so when we come in here in April, we'll finish up as the Bureau and I will work, then the Council will assist. You're going to get situated on those quarter sections, then in April, you're going to be at the closing window. Go ahead and come to us, let it close, and we'll take care of business. Superintendent.

SUPERINTENDENT PHILLIPS: After this meeting, please come over to my office, and we'll talk about the 139.

STAN DELONG: Thank you.

CHAIRMAN WALLER: Thank you, ma'am. I appreciate that.

COUNCILWOMAN ERWIN: Thank you, Stan.

CHAIRMAN WALLER: Be right with you, gentlemen. Councilwoman.

COUNCILWOMAN RED CORN: Well, I just wanted to know from the Superintendent, do you see any problems with us giving him an extension?

SUPERINTENDENT PHILLIPS: The regulations do not allow for you to extend a lease for the primary term. So you would have to provide him with a new lease.

COUNCILWOMAN RED CORN: So, we terminate the old one and reissue a new one?

SUPERINTENDENT PHILLIPS: Yes, you could do that.

CHAIRMAN WALLER: That's the way I've done it in the past, and if there is an overlapping element, then they'd sign a letter to the Superintendent releasing it and then it'll go to the resolutions. Is there any other comment?

CHAIRMAN WALLER: Gentlemen, you have the...

REPRESENTATIVE – CEP MID-CONTINENT: Just a quick question. I'm with CEP Mid-Continent. If he is requesting and granted a new lease, will he have to start with a brand new EA, or will that EA be the one he has, you know...

CHAIRMAN WALLER: That question will be handled in April. Thank you. Any other question?

Parsage Oil Company: Erick Block – Oil and Gas Lease

CHAIRMAN WALLER: With that, Parsage Oil Company, Erick Block, and was this over that lease they were wanting? And we called him and told him that he'd be on the agenda, right? Let me ask, did the Council...we had only one item under Executive. I kept that on there, but Jerod, do you folks need us in Executive for anything right now and review what you gave us Friday?

JEROD: We do not.

CHAIRMAN WALLER: Do you need to hear from them? OK. Because this, you've got the paperwork. Yes, ma'am.

COUNCILWOMAN ERWIN: I do want to ask for the Bureau to stay for Executive Session.

CHAIRMAN WALLER: With the Council?

COUNCILWOMAN ERWIN: Yes.

CHAIRMAN WALLER: So moved. I will take the CEP Mid-Continent now, and I'll put your request in.

Motion to go into Executive Session by Councilman Erwin, Second by Councilman Crum.

MOTION PASSED: CYNTHIA BOONE-YES, JOSEPH CHESHEWALLA-YES, GALEN CRUM-YES, STEPHANIE ERWIN-YES, KATHRYN RED CORN-YES, TALEE REDCORN-YES, EVERETT WALLER-YES, ANDREW YATES-NO.

Executive Session 11:06 A.M.

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12:18 P.M. – Motion to come out of Executive Session by Councilwoman Erwin, Second by Councilman Crum.

MOTION PASSED: JOSEPH CHESHEWALLA-YES, GALEN CRUM-YES, STEPHANIE ERWIN-YES, KATHRYN RED CORN-YES, TALEE REDCORN-YES, EVERETT WALLER-YES, ANDREW YATES-YES, CYNTHIA BOONE-YES.

CHAIRMAN WALLER: We have no resolution coming out of Executive Session. We have talked to our Superintendent and one company.

OLD BUSINESS

Meeting Minutes:

Motion to Approve October, 2015 – January, 2016 Meeting Minutes by Councilman Redcorn, Second by Councilman Boone.

MOTION PASSED: GALEN CRUM-YES, STEPHANIE ERWIN-YES, KATHRYN RED CORN-YES, TALEE REDCORN-YES, EVERETT WALLER-YES, ANDREW YATES-YES, CYNTHIA BOONE-YES, JOSEPH CHESHEWALLA-YES.

COMMITTEE REPORTS

Councilman Redcorn reports that the new website is up and running thanks to Charli Rector and Lacey Reynolds. A page has been set up for each Council Member. The Committee recommends two weeks, and then the website will be “fired up”. The Monthly Newsletter would like to be started up again. Councilwoman Erwin asked if it would be done quarterly. Councilman Redcorn had no objection to that.

Motion to Adjourn by Councilwoman Erwin, Second by Councilwoman Boone

MOTION PASSED: STEPHANIE ERWIN-YES, KATHRYN RED CORN-YES, TALEE REDCORN-YES, EVERETT WALLER-YES, ANDREW YATES-YES, CYNTHIA BOONE-YES, JOSEPH CHESHEWALLA-YES, GALEN CRUM-YES.

Adjournment – 12:23 P.M.

Approved:

Chairman

Executive Administrative Assistant