

**OSAGE MINERALS COUNCIL
REGULAR MEETING
OSAGE COUNCIL CHAMBERS
PAWHUSKA, OKLAHOMA
MARCH 23, 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:

Council Member Talee Redcorn gave the opening prayer.

Roll Call:

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 Cindy Wilson, Florence Bigheart Trantum, Ron Wilson, Nona Roach, Gene Bowline, Dale L. Jesse, Don Williams, Stan DeLong, Jerry Reiger, Justin DeLong, Janel Perry-OST, Jamie Sicking, Joy Ledbetter-OST, Jinx Geurin, Ray McClain, Scott Tolman, Rodney Tate, R. T. Knappe, Patricia S. Bright, Leslie Young, Teresa Bates Rutherford, Robin Phillips, Beverly Brownfield, Shane Matson, Stephen Brenner, Kevin Turner, Leigh Kuykendall and Rhonda C. Wallace.

Accountant Report:

Leslie Young reports that there is \$111,472.46 in the checking account. The OMC has \$500,000 in drawdown, as of the end of February, spent \$324,448.40. They are over only on the legal fee line item. Councilwoman Erwin asked how much the OMC has spent on indirect costs to date, since October 1 (2015), and email the results to her. Ms. Young replied that, through the end of March, OMC has spent \$28,019.66. March will be calculated at the end of next week.

Superintendent's Report:

On Monday, the Superintendent provided reports to everyone by email. From the Branch of Waste Management, the BIA approved five leases, 41 assignments, 26 division orders. There were four oil requests, approved 17 workover permits and ten plugging permits. They issued 31 non-compliance notices, five extension letters and two penalty letters. Ms. Phillips reports they have a petroleum engineer report on Monday and would like to introduce Gus Kun from Pennsylvania. Mr. Kun mentioned his background to the Council.

Councilwoman Erwin asked about the letter the Minerals Council received from the Superintendent, from the National Response Center on spills of collecting the royalty from these fields. She reported there is no total on any of the pages. Superintendent explained that there is no total. She's waiting on Office of Special Trustee to assist them with the amount of interest in which they need to collect this. Janelle gave an update on this. She reported the information has been transferred to Albuquerque for the ones who have the tools necessary to make those calculations and run them from the states forward the correct interest rates. She

did check with their RTA the previous week, and they're in the process of supplying a reply to Superintendent Phillips.

Councilwoman Erwin also noticed that she received a letter that released the contract on the sandy soil permit for Sherwood Construction Company. She would like to have a total of how much royalty they paid. Superintendent Phillips agreed.

Councilwoman Erwin mentioned there was a question regarding the maps, and that the Superintendent has a mapper (Bob) that could print the Oswego maps and Mississippi maps, which the Superintendent agreed is correct. Councilwoman Erwin does not have them, as of this time, and she wanted to know how long she has had this. Superintendent Phillips explained that this is new, and that they have scanned all those maps into the system so that they can generate those maps through a special map printer. The other day when she came over, Superintendent asked her if she could see the maps that they delivered earlier. When she had talked to the map printer about the maps he generated, those were the maps that were in the ownership room, so she had not received those from her. When Superintendent receives that, then she can find out what the printer had provided to her. Councilwoman Erwin agreed. She also asked, regarding the maps, will the Superintendent be selling them, and Superintendent replied, "No". The printer will be making maps in the office. If they do so, for individuals that come in, then, yes, there will be a printing fee, and they haven't gotten there, yet. Councilwoman Erwin wanted to know what happened to the maps that they had over there, as there were many of them, and she used to sell them for \$250 each, back then, and she does not know what happened to them. She asked if a Councilman had told them to do away with them. Superintendent explained that the last (2nd) Minerals Council was asked by Jeanine Hale, whether or not they wanted the maps because they were taking a lot of space in the Agency, and were trying to give the maps back to the Minerals Council. She would have to ask Jeanine what documentation she has regarding this. Superintendent explained that she kept only two of those maps. Councilwoman Erwin had mentioned that she learned that, in the middle of January, documents and maps were being moved over to the recycling center and wanted to know why they would be getting rid of the maps and the stories are not matching up. Superintendent Phillips reported that the maps have been out of the Agency since the end of 2014.

Councilwoman Erwin mentioned that she received a letter from the Superintendent that the Agency inspected the Burbank Materials Rock Quarry, and she understands that the Deputy Superintendent, Mr. Winlock, and Mark Hendricks, Inspector, and what they took out there, and that the books or records were inspected and there was no evidence of accounting inaccuracies found. She asked what expertise the Superintendent has in accounting, and how this helps the council with the problems at Burbank. Mr. Winlock explained that what they saw, inspecting, and that they could not see any inconsistencies with it. They were provided with their scale certifications. They inspected their sites where they were getting gravel out of it, and also went around to the adjoining sites and were not doing anything wrong. Councilwoman Erwin addressed that there was no documentation that they were taking their trucks over the scales. Mr. Winlock said that they compared their tickets and their books, and they told him that they keep two sets of tickets in their building; one set that is kept for themselves, and one set for billing. They had scale tickets that when the truck driver loads, they are weighed, they give the truck driver two tickets. Councilwoman Erwin asked if they let him check the contract they have, now, and he said that he did not ask them.

Councilman Redcorn thanked the Superintendent for her report, and let Mr. Winlock know that he appreciated the Coffeyville report. He would like to go over that, at some point, which is good information. Superintendent mentioned that she would bring managers over to discuss this. Councilman Redcorn went back to the inspections at Burbank, and discussed the finding of the scales. Mr. Winlock said that when

they certify those scales, they provide that information, as well as the previous time that they were certified. Councilman Redcorn then said the process is ready for certification. Mr. Winlock explained that he wants to see not only the certification on the scales, but observing any trucks going through and noting if any trucks are passing the scales.

Councilman Crum had a question regarding the Burbank site, pertaining to going around the scales. Mr. Winlock was asked if they had ever received such an affidavit. Superintendent Phillips agreed that they did. Councilman Crum said that they would never know going out there, with people, at that time, back at November, 2014, who was driving around the scales. The only way that they were going to look at that would be by a third party.

Councilwoman Boone asked Mr. Winlock where the scales located, in regard to the drive-in to the entrance of the quarry. He mentioned they were about 200 yards from the entrance to the quarry. There is a building where the trucks pull up on the scale before they get to the building, and the person that is weighing the trucks fills out the tickets and give them to the person. Councilwoman Boone asked that it is not directly in front of the entrance, and he said that it was not. She then asked him if he had called out there in advance to do an inspection, and he said that he called about 30 minutes before the inspection team was to arrive.

Councilwoman Erwin wanted to follow up on this, because she is sure that we have lost thousands of dollars in royalties, and need to make sure that they are accountable for this, and that it needs to be investigated. Superintendent said that the Osage Nation Police is investigating, and that they have contacted her, as well.

A question by Councilwoman Erwin regarded to the Branson-Hanna situation, and she asked for the Solicitor's opinion, and wanted to know if the Superintendent had received that, yet. She replied that she did, and is continuing to prepare a letter for the Minerals Council by the end of this day. Solicitor's office has advised the Agency to proceed with changing ownership of those leases, based on the decision of the United States District Court. Councilwoman Erwin asked the Superintendent that the Minerals Council be notified, because that lease has not produced anything, currently. At one time, it was producing 30 barrels a day.

Councilman Redcorn received a letter of reference to the leases for perpetuity, and it is his understanding that that is not a valid selection to the Solicitor's office. The Superintendent said that all leases are held by production, and that they have to be producing to continue the lease. Perpetuity sounds like forever, so it is going to have to be by production. She would look at the correspondence again.

NEW BUSINESS:

CEP: Jerry Reeger, represented, has a coal-bed methane concession asking some relief. He is proposing that their 2016 obligation credits be made 794 well credits instead of the 920 in his current lease through 2020. Nothing else will change. The other issue is plugging the wells. Once it is plugged, that opportunity is gone forever.

Ronald Wilson – Sandy Soil Permit: An outline was given to council requesting the removing of stone and dirt piled up on the property. Motion by Talee Redcorn, second by Galen Crum to approve.

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-YES

Daniel Dean – Sandy Soil Permit: Seeking new lease negotiating three tracts at \$4,700/lease, 20% royalty, and a two-year lease.

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

Chaparral: Kevin Turner gave update and invitation for Council to tour.

Lacey Reynolds reads Resolution of Annette Moncravie Gore, annuitant, on her 100th birthday, and that flowers with a cost not to exceed \$75.

Motion to go into Executive Session at 12:10 p.m. by Talee Redcorn, second by Joe Cheshewalla.

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

EXECUTIVE SESSION

*** * * * ***

Motion to come out of Executive Session by Councilman Crum, no second, no vote.

Councilman Crum said that after conferring with CEP, Council heard their proposal in Open Meeting and understanding the regulatory problems for gas price problems for coalbed methane costing more money, they've come within 15% of making their drilling commitment. The reason they couldn't do it before was due to future credits and going way ahead of what they had to do. **The Council will now push back their 2016 126 commitments that they still have yet to do for 2016 and push them back to 2017 and make no other changes to the agreement. No other deadlines or credits all stay the same. Motion was made by Galen Crum, second by Councilman Redcorn.**

Discussion was had by Councilwoman Erwin who mentioned she wished the Council would wait until they talked to their attorney, because 30 days will not make a difference. Councilman Yates made a comment that the economic times and situation that they're dealing with, CEP has made a long-term commitment for years, and a good operator. Councilman Crum said that this concession is the only one of all of them that has ever done that doesn't lock up a piece of ground for oil production and leasing. Councilwoman Boone had a question for Councilman Yates in how he talked about how pristine their properties are, and if he saw their properties as he did with the work he does with the Nation, under the ENR Department. Councilman Yates responded that he did not. They have part of their leases on some of his families' properties. Each time they drilled a pipeline, the landman built it, the BIA had to come in and handle it.

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

After the vote, Councilwoman Erwin asked if they were going to get the attorney to write the resolution for that. Councilman Crum said Tom can make sure that it's right, and they need to make sure in light of the problem they were talking about, was the other agreement was not properly worded for the BIA, they need to run that by the Superintendent to make sure that it says it right, and they can make changes later.

Superintendent Phillips said, "I did ask Jerry if he would go ahead and put that in a proposal to you, in that format. Deputy Superintendent Winlock said that it would come under Don Williams' cover and they'll send it to the OMC, copy to the BIA. Chairman Waller said it should come to OMC ("us"). Superintendent said, "cc:". Councilwoman Erwin said that she hoped to see him again, and she would hate to think that they'd replace him, because she wouldn't be as kind to anybody else. He appreciated that.

There was one more item that came out of Executive, per Chairman Waller, and that was to bring Mr. DeLong up ahead of their last two items on the agenda, which was agreed on by the Council.

OLD BUSINESS:

Stan DeLong: Mr. DeLong thanked the Council and mentioned that last month, he and the Council talked about his leases, as they expire on April 18, and as of today's meeting, there's no permit. Superintendent asked Mr. DeLong, "Can you come over after this meeting, and I'll give you your permits? Because they were approved, this morning." The Council was very pleased with this. Superintendent continued that, "It's signed after 30 days. So, I signed them, this morning." What Mr. DeLong wanted to discuss today was the rule book they still use (the folded-paper one). 226.15 says Unitization of Leases. He asked why he couldn't unitize the two \$65,000 leases with the well he is producing. Councilman Redcorn asked that he propose that to both the Bureau and Minerals Council, which Mr. DeLong was satisfied with that proposal. Superintendent Phillips said, "I don't have the book, I apologize, because I do refer back to this book." Chairman Waller asked, "Same obligations, same sites, unless the royalty's different?" Mr. DeLong replied, "...everything's the same." Councilman Redcorn said to put it on paper, propose it to the Chairman and Bureau, and it can move forward. Mr. DeLong mentioned that he had the other lease, and heard that the Council extends leases. Chairman Waller said, "If it terminates, come back and see us." After Chairman Waller said, "Go get your permits," Superintendent Phillips said, "I will take him with me."

Payment to Attorney: Councilwoman Boone started by stating that in everyone's books were copies of old accounts for the Council's attorney which need to be paid. She mentioned there were no comments or questions regarding the charges that were made. There were two options, use the CD, or use the P.L. account to pay them. So she asked which one did they want to do. Chairman Waller said, "Let's just take care of the payment to the attorney, then we'll go into the reading of the testimony, the released highlight version...I would actually offer to go into the drawdown of the P.L. account. The report I heard this morning gave us a little buffer to do what we got to have."

Councilman Crum stated, "I do have some questions about our methodology we've been doing with this on these charges with the attorney...We seem to be doing a lot of things asking for opinions from the attorneys that we've never talked about in here. I can give several of them. One is September 15th through September 23rd. There was several entries having to do with the TERA. As far as I know, we never made a TERA. We never talked about a TERA. In the past, we've always treated new projects to attorneys just like we're spending money. We could have had a resolution to do that. When people just call up and do things without going through the proper process, what that is, is spending money without a resolution. This one here, like I said, there's 1, 2, 3, 4, 5, 6, 7 entries. That's all of them, because some of them are saying they billed somebody else...but we spent almost \$3,090, according to my figures, and we never talked about it there. When you come down to it, I seem to see a pattern: Phone call from C. Boone and S. Erwin, and then we will have these things show up that we're doing. Now, Mr. Chairman, I don't know how your situation is on these calls and stuff. In the past, I don't know how it was in the 1st Minerals Council, but in the second one, we tried to make it where the attorney calls were done by the Chairman, and then, he could make sure that we're just working on projects that have been approved. That doesn't mean other people couldn't be a part of it. At least, they were approved by the Chairman to be provided this information. I'm not sure how this is working, but there's one in 2008. There's another one for \$3,000 there. There's another one I'm pretty sure we didn't talk about, that's almost \$2,500 that had to do with dealing with some phantom rogue Councilmember who we were trying to get money to remove him or trying to find a way to remove

them from the Council, and the thing they were trying to say was trying to give information to the Government. I think this would be in relation to the lawsuit. As we went through this process of them looking into it, they came back and said, 'Well, we probably shouldn't be doing this,' but the report states there's no proof of any of this, and that we would not be successful in doing this. But for them to look into this phantom rogue Councilmember cost us \$2,500. You can go through here and it'll say all along, there's thousands, if you recall, when we did the change of attorneys on the windfarm, from Akin & Gump to Mr. Fredericks. We had a vote in the meeting to do that. It passed, but as part of that motion, that they were paid for any windfarm work done by Fredericks prior to that day. It passed, unanimously." Chairman Waller agreed. Councilman Crum continued, "And if I had to go back to June and July, perhaps July's would have some in there, there's about \$9,000 worth of work. We probably paid for that for windfarm work. Somebody assigned him that. He didn't just decide to work on windfarm out of the blue. We're talking about dipping into an account that's never been dipped into, to pay attorney bills. We're talking about using up...what's the total, here?" Councilwoman Erwin said, "Two accounts that were \$139,000". Councilman Crum continued, "So that account that the money we know isn't there every time, is \$20,000 a year less expenses for that past year, and then I guess they don't have any maps facility anymore, because there's no maps over there to sell, so we were getting a tidy bit off of that. So, we're talking about, what, six years, at least six years' worth of income off of that, in order to pay a lawyer bill that we've run up. We can't keep this stuff up." Chairman Waller said, "Yes, sir. That's another thing, though. I agree with Number 1, identifying it. Number 2 is that we can still call Mr. Fredericks, and ask him. You can always negotiate this bill. No one's ever been stopped for doing that. We do have a Council meeting where that request came up, before we did the two resolutions that specifically stated windfarm deals. So, that option's open and available. You should feel free to question those, but let me get done, Kathryn."

Councilwoman Red Corn said, "I just want, for the record, that last year, we paid Akin & Gump over half of our budget." Many of the Council agreed. Councilwoman Red Corn added, "I'm not asking for discussion. I just want that read into the record because a big part of our budget went to Akin & Gump."

Councilman Crum stated, "We need to be doing business properly through this full Council to decide on what projects that we assign to them, and we need to agree that this is something we need to have worked on. Not somebody using it to call and say, 'Hey work on it'."

Chairman Waller said, "On the two that were specified, I can understand that, but, I also called Mr. Fredericks and sometimes in the office, I believe I asked for options from my attorney, so that we have more than one answer to our problem, from a professional, and if it is not advised by the Council, then let's question him on the charge."

Councilman Yates, being recognized, said, "I've got a copy of the funds from Akin and Gump, where they terminated their services that was September 16, 2015. I'm sure we made a resolution, but I'm sure we've got a copy of that resolution. Chairman Waller said, "That's the letter they sent us last with a \$1,200 bill?" Councilwoman Boone asked, "What year was that?" Councilman Yates continued, "Also, I sent an email today. We got Fredericks response on our newsletter. That's an expensive newsletter at \$300 an hour. Councilman Redcorn, being recognized, said, "Second Council, we wrote our own newsletter. Councilwoman Erwin replied, "Ask Talee about that." Councilman Redcorn said, "I mentioned that at our last Friday meeting that we were going to do that as a Media committee, so I felt like it was an appropriate thing to do, since he's handling a lot of our accounts and to comment on snippets on every one of those lawsuits, and update our shareholders." Councilman Yates concluded that, "There's a lot of instances where a couple of our Council members making calls on whatever they want to talk about, and I don't think it's Council-supported. I think if they're going to use shareholder money, they should be going through Council on issues we want to discuss. A lot of times I've seen where it's removal. I mean, did Council vote to remove Council members? I don't remember that. They were several thousand dollars. Councilman Crum said, "I have one that stands out to me. Not a very big one, it's hard to tell for Fredericks. I'd like for that to be broke down into subjects. We'll have about a paragraph that'll have about four different things worked on, and we'll see \$1,800, and what they worked on, per person. Here's one that's pretty good, here, "Discussed the letter to G. Crum." Now, I didn't receive the letter to G. Crum. Somebody must have

asked them to prepare a letter to G. Crum. I don't know how to go back and search for it, because it says, "Talked to S. Erwin" or "...C. Boone" about Council OMC matters. That's all it says, and then shortly afterwards, we'll have something the tribe removes somebody from office. I didn't get the letter." Councilwoman Erwin responded, "I didn't ask for a letter. I'm the one it came from." Councilman Crum replied, "Well, somebody asked you to prepare a letter. They didn't decide right out of the blue that never." Councilwoman Erwin replied, "I think it came out because you were leaking..." Chairman Waller said "No" and rapped the gavel. He continued, "Two favors. Number One, you can review any bill we receive. Anything. Any Councilman, it's open. It's laying back there in the file. I appreciate that you do that. Secondly, I do have concerns over these items. We will bring it to Mr. Fredericks, and I think that's only proper. You got to give a couple of options to the Chairman here. I understand what he's trying to do, Tom Fredericks, but I'm going to have to go to Ms. Boone, then Mr. Redcorn."

Councilwoman Boone, being recognized, said, "Thank you, Mr. Chairman. During the 2nd Minerals Council, I, too, had questions about an itemized bill. Every time I saw Galen Crum's name, I questioned that, and at the time, Mr. Yates was the Chairman, and when I asked Mr. Yates about that, he said, 'As an elected official, you can call our attorney anytime you want to.' Now, let me follow that up with, usually, Ms. Erwin and I are the ones in the office most of the day, and when our attorney calls down here to discuss matters, it's going to be one of us. If you want your name to appear on the itemized statement, get down here and answer the phone. And as far as somebody trying to remove anybody talking to Mr. Fredericks, let me refresh your memory. When the last Minerals Council, the 2nd Minerals Council wanted me banned from the office, I had to hire an attorney, because you guys passed a resolution. Mr. Yates called the police on me. He emailed the Attorney General on me. He wanted me to be removed from office. But there it goes, I came right back in here. The resolution was passed —". Mr. Yates said, "—Correction. Removed from the office, not from office." Councilwoman Boone asked, "You wanted me removed from the office? And, I came in the very next day after that resolution was passed. My next step was I had to hire an attorney to come up here and talk to everybody to say, 'You cannot ban me from the office, and the same thing holds up for Galen Crum.'" Councilman Yates said, "There was a work policy —" Councilwoman Boone replied, "There was not. Since when do you take an employee's word over an elected official, when she filed a protective order on me?" Chairman Waller rapped the gavel and said, "Welcome to the 3rd Council."

Councilman Cheshewalla said, "Motion to adjourn." Councilwoman Erwin said, "Second." Councilman Yates said, "We still have a little discussion." Councilwoman Erwin said, "I thought you were going to read your speech."

Councilman Redcorn, being recognized, said, "Thank you, Chairman. **I'd like to propose that we pay half of this bill**, because I'm reading this bill, most of it. I don't think we have any issues with it. Let's get half of this bill paid, and done, and then we can review and submit to Chairman and all the questionable items, and then we'll pay the rest, based on that discussion." Councilwoman Erwin said, "I don't think the Accounting department will pay just half the bill. They have to pay the full bill." Councilman Redcorn said, "Let's find out if..." Councilwoman Erwin said, "It's that kind of process they have..." Councilman Redcorn said, "Let's talk..." Chairman Waller said, "We'll check into that." Councilman Redcorn said, "He can bill us half, or pay it monthly." Councilwoman Boone said, "I'd like to the policy about this." Chairman Waller asked, "On paper?" Councilwoman Boone replied, "No, I want to see the policy that says you cannot talk to your attorney about this, that or the other. I want to see the policy on that." Councilman Redcorn replied, "In the meantime, we can have some of our bill paid and we need to start paying our attorney. So most of this stuff I wrote down a couple of these things and Tom will be OK with maybe we'll negotiate this price out of here." **Councilwoman Red Corn said, "Mr. Chairman, I second the motion for the extension to pay it."** Chairman Waller said, "I have a motion on the floor, Councilman Redcorn, second by Councilwoman Red Corn." Discussion was had on this, and the question was called by Chairman Waller.

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

Chairman Waller said there was one item left that was added to the agenda, and asked Councilwoman Boone if there was an update on the report that was given in Washington. Councilwoman Boone reported, "The very first testimony we saw, because when we got up there was limited to just to speak for five minutes. So the initial testimony was 13 minutes. We timed it when we got into D.C. Our attorney went through it, changed it down, thought he had it condensed for five minutes. When we got into the actual committee room, he asked me to read just as a time measurement. 'Read this paragraph and see if you're going to make it through for five minutes.' So I read it. He said, 'You're not going to make it.' And I said, 'Well, I can talk faster.' So, I said there was some changes that we wanted to make, and we looked over them. He said, 'It's OK. You're set to go'. So, with that in mind, let me just say this. After I got finished with my testimony, we found out that I'd rather have to be prepared and in their office on Monday, and we didn't get back until Saturday. So, I'd rather have to go into the office in D.C. before close of business on Monday. I did not see the revised letter until after I came into the office in the afternoon time.

OK, here's my testimony: *'Good Morning, Mr. Chairman and members of the Sub-Committee. My name is Cynthia Boone. I am a member of the Osage Minerals Council. Thank you for the opportunity to testify. The Osage Minerals Council is made up of eight members elected by the Osage annuitants. The Osage Nation Constitution and the 1906 Act provides the Council with the authority to administer, develop and protect the Osage Mineral Estate. The Osage Minerals Council has the unique roll of all Indian Country. Our roll goes back to the discovery of oil on our reservation in the 1890s, more than 100 years ago, and even before the allotment of our reservation in 1906. As you know, under allotment, Congress divided up Indian lands and provided small parcels to individual members of the tribe. In our case, Congress allotted the surface lands, but not the minerals. Instead, Congress reserved our entire Mineral Estate for the benefit of the Osage members on the Tribal Rolls at that time.*

'Congress called us Headright Owners. Each Headright Owner had one share of royalties from the production of oil and gas in the Osage Minerals Estate. The Osage Minerals Estate has been producing oil since 1896, making it one of the oldest oilfields in the United States. Our Minerals Estate still contains crude and reserves. In 2015, it was estimated that Headright owners would receive about \$13.6 billion in royalties from 2012 to 2027. That's about \$1 billion per year. Despite our success, the Osage Minerals Council faces many of the same challenges as other energy producing tribes.

'We also face some challenges that are unique to Osage. First, like other tribes, energy production on our lands is limited by a lack of staff, expertise and resources in BIA's Osage Agency office. Without the BIA staff or expertise to keep up with the energy industry, we are not able to fully utilize our resources to benefit Osage Headright owners. For example, we estimate that BIA averages more than a year just to approve a simple workover permit. As you might know, a workover permit only approves maintenance for an existing oil and/or gas well. You can imagine permitting a new well. BIA needs far more than the \$5.9 million requested in the President's budget to manage oil and gas development at Osage and across Indian Country. BIA needs ten times this amount. When you compare BIA's budget to the \$187 million requested for the BLM, it is no wonder that the Government Accountability Office found that the BIA management hinders in energy and needs sweeping changes.

'Second, unlike other tribes, the 1906 Osage Allotment Act creates special legal requirements for leasing on our lands. For example, leasing on the Osage Minerals Estate is specifically excluded from the Indian Mineral Leasing Act. Instead, the Interior follows Osage specific regulations, and the BIA is the only Agency involved in approving oil and gas permits in our Minerals Estate. The BIA does not get any help from BLM or the Office of Natural Resources revenue like other Indian Reservations. The Osage Minerals Council also has unique management responsibilities, but our funding is limited as well. We currently manage the Estate with annual drawdown from royalties that should be distributed to Osage Headright owners. This is an unfair burden on Headright owners and is not enough funding for the effective management of the Estate.

'Meanwhile, every year, since 1921, the State of Oklahoma has collected a Gross Production Tax from our royalties. This tax is generated in excess of \$5 million for the state, last year, with no benefit to Osage Headright owners. With this impact from state taxes and many responsibilities from managing the Osage

Minerals Estate, we respectfully request that the Sub-Committee provide direct funding to the Osage Minerals Council to help us hire the staff we need to manage the Estate and promote drilling and production. We need about \$4 million in funding to employ experienced staff to create a digital database to monitor well production, environmental hazards and lease productivity and to plug abandoned wells. Just as an example, the BIA identified roughly 1,400 wells for plugging. Each of these wells cost between \$10,000 to over \$100,000 to properly plug, abandon and remediate. Even worse, BIA has not complied with environmental reviews for years. This subjects the United States, the Osage Minerals Council and Osage leases in never ending litigation and kills development of new wells. We need to turn this situation around, and oil and gas production and the Osage Minerals Estate supports thousands of jobs and provides badly needed economic development.

'We respectfully request that you increase BIA's Natural Energy budget and we request \$4 million in direct funding to the Osage Minerals Council so that we can effectively manage the Osage Minerals Estate for the benefit of Osage Headright owners in the entire region.

Thank you', and I finished this within the allotted time of five minutes."

More discussion was held on this communication.

A motion on the floor by Councilman Redcorn to alleviate the phone poll vote, seconded by Councilman Yates. A call for the question was made by Chairman Waller.

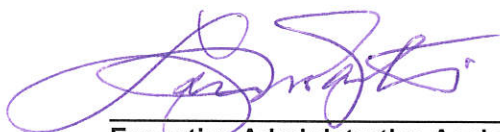
MOTION FAILED: EVERETT WALLER-NO, ANDREW YATES-YES, CYNTHIA BOONE-NO, JOSEPH CHESHEWALLA-NO, GALEN CRUM-YES, STEPHANIE ERWIN-NO, KATHRYN RED CORN-NO, TALEE REDCORN-YES.

Motion to adjourn. Motion by Councilwoman Boone¹, second by Councilwoman Erwin. A call for the question was declared by Chairman Waller.

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

Adjournment – 1:45 P.M.

Approved:



Executive Administrative Assistant


Chairman

¹ Originally motioned by Councilman Cheshewalla (see pg. 7)