

**OSAGE MINERALS COUNCIL
REGULAR MEETING
APRIL 15, 2016
MINUTES**

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

Visitors to the meeting were Jinx Geurin, Skip Honeyman, Don Williams, Bill Huckaby, Kris McClanahan, Janel Perry-OST, Sharon Long, Linda Heskett, Bob Knoppe, Steve McNamara, Jim Kunard-BGI, Stephen Brunner, Jami Sidlong, J. Scott Dillingham, Ata, Delong, Teresa Rutherford, Beverly Brownfield, Nona Roach, Sandra Thornton and Rhonda C. Wallace.

Opening Prayer: Councilwoman Kathryn Red Corn gave the opening prayer and the reading of the Osage members who have passed.

Chairman Waller announced the dismissal of the Martha Donelson case.

Roll Call: 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.

Guests were: Jinx Geurin, Jim Kunard-BGI, Skip Honeyman, Stephen Bruner, Don Williams, Jami Sicking, Bill Huckaby, J. Scott Tolman, Kris McClanahan, Ata Dely, Janel Perry-OST, Teresa Rutherford, Sharon Long, Beverly Brownfield, Linda Heskett, Nona Roach, Bob Knoppe, Sandra Thornton, Steve McNamara and Rhonda C. Wallace.

NEW BUSINESS:

BGI Resources, LLC: Stephen McNamara present for Mr. Righetti, who is the principal officer. Karen Dellin, Tulsa, BGI Office Manager and Jed Kennard, Field Manager in Foraker, were also present. BGI is requesting a two-year extension of the concession agreement dated 2006. It was an early concession agreement geared to shooting seismic, which is set to expire February, 2017. They previously asked for an extension in March, 2015. He mentioned that the council had given feedback from the council on what they were looking for. There is approximately \$1.2 million worth of seismic shot by the company in 2013-2014 when the current controversies started in July of 2014 that the work stopped. That means the seismic has not been processed, and it will cost more money. When that is done, they can pick specific locations that they want to obtain a lease and drill wells.

In exchange for the extension, the company would commit to process the seismic. When they were here before, the council was of the opinion that they wanted some financial consideration for the extension. The problem is that given the current environment, if BGI pays money for the extension, then BGI will not have the money to process the seismic. The seismic is the property of the Minerals Council, and once it is processed, it will benefit the council. There is language in the concession agreement that if the company is unable to obtain permits and to conduct business, that it constitutes a condition of force majeure, but BGI is not here to make that claim. BGI wants to go on exploring for oil and gas in Osage County under the concession.

BGI drilled four successful wells in February and March of 2014. Chairman Waller asked, specifically, a dollar amount estimation for the extension. Mr. McNamara said that it would be several hundred thousand dollars, which was speculation on his part, and could get a better estimate to the council.

Councilman Redcorn asked BGI to describe what is going to happen to the seismic in lieu of paying them. Mr. McNamara said that the seismic has been shot, and when it is processed, they hope to identify prospective drilling locations within that area. Councilman Redcorn then asked what they would be looking for in this extra work that the council would not get the money for. BGI wants to process read the seismic, which gives raw data. Karen mentioned that Dr. Edith Wilson, who is with Rock Whisperer, would read the seismic, and would hire a geophysicist and help go through the data and pick locations. In lieu of being paid, Councilman Redcorn followed up with the question if the council could get the information as well. Mr. McNamara said that the council would own the information as soon as it is available.

Councilman Crum stated, regarding the history of this concession, it had been in place for several years. There was no actual drilling, and most contracts have a proprietary period, then after the proprietary period, it comes to the council. The council needs to investigate that, and if they are going to give that to BGI immediately, there will be a change in the concession agreement. He also wanted assurances from BGI that there would be drilling commitment and bring back a proposal, once the situations have changed when they can get their permit. Ms. Dellin said what they would do is go to Mr. Righetti work out a time frame and come back with a proposal. The BIA Superintendent would like to recommend for them to add an amendment, when they come back with the proposal to be considered, and their attorneys to review. The surveys that are being conducted, the Division of Energy and Minerals Development, they basically utilize them for storage of all the seismic surveys that are done, and the Superintendent would like them, as well.

Orion - Extension: Mr. Skip Honeyman was introduced by Mr. McNamara, and is a long-time geologist and exploration in Osage County. He has been with Orion for several years. Before that, he was with Davis Brothers and goes back to Chevron for the seismic shoot back in the early 1980s.

Orion does have a concession. In 2011, Orion acquired all the leases and concessions and drew down all the leases at the same time. The concession is basically a moot point, and it has leases that paid \$150/acre and are 1/5 royalty of the total consideration that was paid by Orion was \$2,928,000. Mr. Crum was Chairman at that time. It has drilled six horizontal Mississippi wells in the concession. About 2,000 acres are set to expire on July 3, 2016 and the remainder of the leases expire at different times. By March 6, 2017, all of the 14,080 acres will have expired. Chairman Waller asked if these were held by production, and Mr. McNamara said that it isn't. These were term leases and they will expire, unless it is held by production. One of the producers is having financial difficulties. They request that the leases either be extended or grant new leases covering the same area. Because they do not have money, there's consideration that has to come to the council. They were discussing what the best options to be to voluntarily relinquish all of the 14,080 acres they hold under lease in exchange for half of that amount with new leases. It would give them another 18 months to start. They would basically free up leases for other parties. It would save some portion of this \$2.9 million investment that they have already made. They are having trouble getting drilling permits, and trouble getting capital aggregated to come to Osage County to drill a well. They hope that there are spots in this area they want to drill on. Mr. Honeyman wants good places to drill on. Chairman Waller asked if they are oil wells. Mr. McNamara said that they do not know. They do not have a proposal today, but would like a dialogue started.

Councilman Crum asked if they had done some seismic out there, and Mr. Honeyman said they did some seismic. The seismic over the area that they want to drill first is not there, but he has enough sub-surface that they can control, about seven miles. Councilman Crum asked if any of that was done on land that Mr. Honeyman owned.

Councilman Redcorn asked about the section that Mr. Honeyman is interested in, and drilling some verticals and concentrating to the west of that area. Mr. Honeyman stated that what he took when they ran into this "road block" (getting grants needed to proceed), he presented seven locations and even though he received approval to do it, he didn't pursue it. Mr. McNamara requests that he fine-tunes his proposal and come back before the next meeting.

OLD BUSINESS:

Wellco: Chairman Waller states for the record that he has already discussed the information with the council many times. Two sections NW1/4 of 8-25-3 and NW1/4 of 4-22-11. Wellco purchased this, 24 months ago (April 18, 2014). It took 16 months to get one permit and 12 months to get the other permits. He would like to do is renegotiate the lease by having two more years to work on these leases. BIA Superintendent recommends that he renegotiates the leases. Councilwoman Boone asked BIA Superintendent if that is in the time frame to present a plan to unitize at the beginning of the lease. BIA Superintendent stated that it should be done close to the very beginning of the negotiating of the leases. There should be a flood plan to bring leases into place. Councilwoman Boone asked if that is in the regulations to do that. BIA Superintendent said that *"if you read this, it basically says that 'unitizer march two or more gas leases into a unit or operating plan to promote the greatest ultimate recovery of oil and gas from a common source.' There is nothing that is coming off of that one lease. The lease is going to expire, for lack of production or development."* Councilman Redcorn asked about Mr. Delong's opinion of what the Superintendent said. Mr. Delong said that it was discussed with many of the Superintendent's staff members, and that the Superintendent is trying to say that it is a water flood, and he is not sure that it is not talking about water flood. It's talking about ultimate recovering of reserves for those two quarters is for him to have both quarters, and leave the gas alone. At this time the lease is for both oil and gas.

CEP: Don Williams, representing CEP, requested from the council last month an extension, and was waiting on a resolution to be signed. Chairman Waller said that it has been taken care of.

APAC: Chairman Waller had discussed two issues, and wanted to renegotiate their lease. At that time, the BIA talked to the council about the 10% of fair market value. Councilman Redcorn emphasized the court win on August 10, 2015 that gave the Osage Minerals Council and the Osage shareholders the right to determine value of their trust assets, and that question would be directed to the council's attorney, Tom Fredericks, on the ability to set the value of their asset. Chairman Waller stated that the council stay with the last contracted agreement price. He asked the BIA their opinion on that. BIA Superintendent said that the council is dealing with 25 CFR 214, as opposed to 25 CFR 226. She went on to say that 25 CFR 214 is clear and it has not been changed and states 10%. They would like a five-year deal, and will return on Wednesday. Councilwoman Erwin asked how many times they have increased their price. They would get an answer on Wednesday, as they did not know at that present time.

MOTION: Motion to go into Executive Session at 11:17 a.m. by Councilman Crum, second by Councilwoman Red Corn.

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

EXECUTIVE SESSION

Motion to come out of Executive Session by Councilwoman Boone, second by Councilwoman Erwin.

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

The personnel item will be taken into Wednesday's meeting. Regarding the Performance item, an update from one of the producers and will come back to the council with documents and will be no vote taken today on any subject.

Councilman Redcorn was recognized and stated that Susan Forman had sent him a text listing a discussion with Orion's Stephen McNamara, talked about the seven wells they had planned, and approved, their management to pay for and proceed in July, 2014. She did some calculations which comes to about \$2.2 million lost to the Osage County production and specifically to the Osage headright holders. Seven wells losing \$440,000. He made a public comment because these leases have dragged on so long, rather than what they used to have from 2006-10 (1st Osage Minerals Council), had leases very fast. Councilman Redcorn went on to say that he appreciated BIA Superintendent's comments to get revenues out of the spills, but it pales in comparison to what has happened to someone who has been sitting on a lease for 1.5 years not getting approved. He believes that is the case on many wells. It is diminishing the Osage Mineral Estate assets. There was no comment from the BIA Superintendent when asked by Councilman Redcorn if she had any response.

NEW BUSINESS (cont'd):

EIS: Councilman Yates spoke about the EIS (Environmental Impact Study) with an Initial Scoping meeting at the Wahzhazhi Cultural Center, in Pawhuska, on Sunday, May 8, 2016 (date changed from April 28), from 3 – 6 pm. His question is that the council has had correspondence in the last couple of days. The letter said that it wanted to send out Fredericks' direction from some council to delay this EIS process. He asked if the letter was sent out. Councilwoman Erwin said that it was. She went on to say that he called and said he needed it, because he had to have it hand-delivered. She tried to get in touch with Chairman Waller. She talked to other Minerals Council people about it, and he said it needs to be done. She found the resolution from the MOU/EIS, and after she read that, she signed it. Councilman Yates asked if she couldn't wait, and Councilwoman Erwin said that he needed it. Councilman Yates asked if it could have presented it to the Council and properly done it; it was completely unacceptable, which was his opinion. He went on to say that if she reads his comments on discussing the EIS, he's saying that the council needs to get it done quickly so it benefits the United States and the Minerals Council in going forward with the permitting. Councilman Yates asked if she read the correspondence, and Chairman Waller asked him for the date on the letterhead. Councilman Yates said that the basic difficulty that the United States faces in the Hayes suit, is that the United States does not have any strong argument until the new EIS is in place. Judge Frizzell is likely to correct that they are not in compliance with NEPA and can no longer base lease approvals on the 79EA. It will take some time for the United States to remedy that problem by replacing these outdated NEPA documents. We need to adopt a new strategy which will minimize the harmful consequences of the lack of Federal NEPA compliance, in this interim, until a new EIS is in place. Councilman Yates asked Councilwoman Erwin if she mailed a letter

delaying that process. She stated that she signed the letter that he asked her to sign. Councilman Yates replied that he needed it signed on the request on certain Minerals Council, and he's fine if the whole Council sent that letter, and so be it. He wanted the Council to decide, not just one or two or three individuals. It would not be hard to do it properly. Councilwoman Erwin asked him where is it that there are "one, two or three" people on the council doing the whole show. Councilman Yates replied that he doesn't get any of the correspondence from Mr. Fredericks. Councilwoman Erwin asked if he didn't receive the correspondence by email. Councilman Yates replied that a lot of the correspondence has his name and other councilmembers. His question is, "Why not do it properly?"

Councilman Redcorn was recognized and said that it is no secret that he is not a fan of EIS. He did communicate, at the request of the Chairman, and that he go ahead and chat with Tom Fredericks, made the call, made it simple, and that he would like to direct activity to stop this EIS process and get it back to where it used to be. Because if it fails, then launch the EA. If the EA fails, then launch the EIS on a case-specific basis. He's afraid that the EIS process is going to empower special interest landowners in Osage County to restrict the benefit and use of the Osage Headright Holders Mineral Estate. It is a tool that has been used in a lot of areas throughout the United States to kill economic development. If they still want to pursue – and he agrees with Councilman Yates – that the Council should vote, but he wanted him to know how he feels. He feels like the Council continues to "dally" with this process that is ill-conceived, even after the Council has a federal lawsuit that kicks out Donelson, and the council has had the neg-reg process reversed. The Council is at a point where they can make great strides to fix the process and get it done right, so they can enjoy the Osage Mineral Estate without Federal interference. Councilman Redcorn agrees with BIA Superintendent Phillips, when it comes to trust property – and she's dealt with it, in Anadarko – it is trust surface and underground, and he would not argue with her, there. But here, he feels a little bit different. They have fee simple land on top of the ground that was not regulated by the Federal Government, and he understands the Superintendent's comments that this is a Federal action, but these things are administrative decisions he would like to explore, further. He would like to come across the table and fix it, and direct the Minerals Council's attorney to look into these matters. The attorney told him his thoughts on it, so the Council is going to vote for, but he is not in favor of this moving on, as is, with the EIS process. Again, his feeling is that it will empower special interest landowners, not the intent of the people that make money in Osage County. He spoke to an Osage headright holder who owned land, who worked the cattle above and the oil beneath, and they said this thing is devastating, because they are a small town marginal well producer, plus they do the surface area land. The Council is accommodating to special interest folks that own a lot of land out there, and they have their own agenda. The Minerals Council has to protect the Osage Shareholders. Their sovereignty, their right to enjoy their property without interference from anybody, and the only people they're going to look to, for our Osage headright holders is the United States. They have a special relationship, Osage Headright Holders, with the United States. He wants to encourage discussion in the EIS, that the Council, specifically, tell the attorney that the Osage shareholders are the beneficiary of the Osage Mineral Estate, period. Not anybody else. The Minerals Council has to protect it from outsiders and they have to protect it from, even, "folks that are like us". If one is not listed on this property as a bona fide title holder, they are not in the group. Councilman Redcorn wants to make that clear in the MOU to the United States. The Osage Headright Holders are the beneficiary of the Osage Mineral Estate. He asked that the Chairman add that language into the MOU.

Councilman Crum was recognized and said that he appreciates everything that Councilman Redcorn said, though we might have different ideas how to get there, and that's why there are eight chairs in the Council chamber and not one. The letter that was signed seemed to be in conflict.

Councilwoman Erwin was recognized and said that the resolution does say that the Chairman is hereby authorized to sign this resolution and all recording documents necessary to carry the purpose and the intent of this resolution about the EIS and MOU. The Council also has a resolution that gives

Councilwoman Erwin the ability to sign a letter in the absence of the Chairman. The Chairman was absent yesterday. Chairman Waller asked that she tell why he was absent. She said that the Chairman was taking care of a cultural situation. She went on to say that during the Chairman's absence, because the Council has a resolution that says Councilwoman Erwin can sign, and that is why she signed. In the letter, he asked for clarification on this MOU situation EIS. She considered this part of the additional supporting document, and if the council is going to have to ask for everyone to vote on all supporting documents, as they've been received, then the Policy Committee will need to go back and write a policy on that. Chairman Waller agreed.

Chairman Waller needed to take care of housekeeping matters. The Chairman read into the record Resolution 3-120 regarding the Bureau of Indian Affairs and the MOU. He also stated that the MOU was brought to everyone on the Council. Mr. Fredericks helped the Council with it and the Chairman changed a couple of items, which Mr. Fredericks approved, and that is where the Council voted 6 in favor and 2 against on March 29, 2016.

Councilman Redcorn stated that one of the two votes against was himself. For the public record, he did not support this MOU, and that the Council has an opportunity to tell the United States exactly where the Osage Headright Holders are with their trust, that they belong to them, and start the process of negotiation. He had a feeling that in the Chairman's office that he has pushed for that relationship, so he would like to define that, and would like the Council's attorney to make that known that we have a special relationship with the Osage Headright Holders and the United States. The Council wants to ensure that it is in place before allowing anything else. He would like the rest of the council to stand up and say, yes, the Osage Headright Holders are the beneficiaries of the Osage Mineral Estate. Chairman Waller said that this has been discussed. There are restrictions that take care of the headright holders, but the Chairman was wanting to wait and see what the government's response was going to be. As far as the letter goes, he sent Councilman Redcorn a text to Councilwoman Boone that the Council should have voted before the letter was sent out, yesterday. Councilwoman Boone said she did not have any reason why the council had to vote on it. Chairman Waller just wanted to put that on the record that he texted her on that. She agreed that it happened.

Chairman Waller asked if there was anything from the BIA Superintendent that she would like to add. She said that she went over to the Osage Agency and it is April 28 from 3–6 p.m., and now they have a sign-in sheet for individuals that want to sign up at that time to speak. May 8th is a Sunday. There is a sign-up sheet right now.

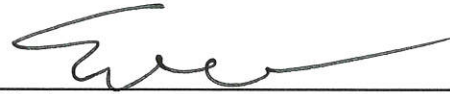
Chairman Waller asked if there were any Committee Reports. Hearing none, they will be moved to Wednesday's meeting.

MOTION: Motion to adjourn by Councilwoman Erwin, second by Councilwoman 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

Adjourn

11:45 A.M.



Chairman

Attest:



Executive Administrative Assistant