

**OSAGE MINERALS COUNCIL REGULAR MEETING
OSAGE COUNCIL CHAMBERS PAWHUSKA, OKLAHOMA
MAY 19, 2017
MINUTES**

CALL TO ORDER

Chairman Everett Waller called the meeting of the Osage Minerals Council to order at 10:02 A.M.

OPENING PRAYER

2nd Chairwoman Kathryn Red Corn 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 Biff Huckalz, Nona Roach, Travis Anderson, Mike Shore, Ronnie Hindman, Leigh Kuykendall, Bob Knappe, J. L. Holt, Leslie Young, Casey Hindman, Henry Rennick, David R. Coast, Bill Park, Kevin Turner, Gene Berry and Joy Ledbetter – OST.

Auditor Report: Jim Swan

Jim Swan gave the auditor's report on the Osage Information Sheet as of April 30, 2017. Total Collections for April were \$2,964,516.47; Average price of oil per barrel in March, 2017 - \$48.29; Average highest posted price in April - \$47.68; Average Daily Barrels of Oil Produced for March – 11,910; June payment will be \$3,945.00 per headright; Gross Production Tax paid for 2nd Qtr. 2017 - \$447,951.41; Gross barrels produced in March – 369,203; Royalty Barrels – 55,986; Royalty Barrels vs. Gross Barrels – 15.16%; Total Oil Royalty for April - \$2,714,568; Total Gas Royalties - \$198,721; Tank Bottom Royalty - \$585; Total Oil & Gas Royalty - \$2,913,874.

Accountant Report: Leslie Young

S-510 Report: Current Balance for Checking - \$150,986.52; CD - \$236,359.72; OTFM Account - \$5,689.37; Spent a total of \$0.46 for postage in April; Received \$164.55 in interest income.

C-395 Report: Current Checking Balance - \$288,584.83; Recent drawdown of \$250,000 was received Tuesday, May 16; Total - \$750,000 for total drawdowns for FY2017; For April, spent \$67,737.64, all within range as far as budgetaries and no overages at this time.

Ms. Young is looking for some backup for a former OTFM account that was moved back into the Shareholder's account, so she can remove it from her current balance sheet.

BIA Report: Deputy Superintendent Richard Winlock

Superintendent Phillips is out on personal business per the Deputy Superintendent.

Councilwoman Erwin asked Deputy Superintendent Winlock if the red tag was still on the tank, and he replied that they had been cut off, and the oil sold. Mr. Coast said, as of 6:30 a.m., May 19, the red tag is still on, and there is still oil in the tank.

Branch of Field Operations: 2,740 purchaser run tickets reviewed and scanned; 10 Purchaser Tank Tables Encoded into Osage Computer System; 6 Well pluggings witnessed; 27 Trucking Permits prepared; 9 leases checked for production/primary term; 9 Orphan Well Letters Prepared; 13 Complaints scanned; 4 OERB evaluations; 52 lease inspections; 51 lease inspections/follow-up; 2 Lact units provings witnessed; 8 trucks stopped for permit check; 14 tank strappings witnessed; 126 landowner/lessee meetings; 10 complaints responded to; 26 spills/leaks inspected; 23 run tickets figured; 46 calculations; 3 tank bottom removals witnessed.

Branch of Lease Management: Oil and Gas Assignments – 5; Division Orders – 40; Lease Terminations– 21. Producing wells – 18,092 less 3,262 for SWD and other wells – 14,830. Other Minerals (25 CFR Part 214) for March: 3 leases that sold the most: APAC, Candy Creek Crusher and Casey Hindman. Sales reported per lease: APAC – 25,823.63 tons - \$14,203.00; Candy Creek Crusher – 9,697.38 tons - \$9,697.38; Casey Hindman – 4,692.03 cu. yds. - \$3,519.02; Schmidt Brothers – 304 cu. yds. - \$228.00. Number of requests for lease information – 2 (0 FOIAs, 2 non-FOIAs).

Branch of Subsurface Minerals: Approved Workover Permits – 1.

Branch of Enforcement and Lease Compliance: EAs received for APDs – 1; EAs Approved for APDs – 2 covering 4 permits; NOAs published for EAs – 2 covering 4 permits; Non-compliance letters – 57; Non-production letters – 2; Extension letters – 12.

Councilmembers questioned Deputy Superintendent on numerous subjects.

Councilwoman Erwin asked if the red tag was still on the tank and Deputy Superintendent Winlock said that the tag had been cut off and the oil sold. David Coast said, as of 6:30 a.m., the red tag was still on, and that the oil was there.

NEW BUSINESS

Warrior Exploration and Production: Robert Knappe

Mr. Knappe came before the Council to ask for new leases in NE/4 and SE/4 of 32-24-11, 20% royalty for two years and minimum bid of \$4,700 per quarter section.

Councilwoman Boone made the motion to approve the leases, less coal bed methane, Second by Councilman Redcorn.

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.

Travis Homes LLC: Travis Anderson

Councilman Crum made the motion to instruct the BIA that this gentleman will not need a sandy soil permit to conduct the leveling of his ground, Second by Councilman Cheshewalla.

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

Councilman Redcorn made the motion to give the Chairman the ability to instruct the BIA to make the determination that we don't need a sandy soil permit, under certain conditions, after they come to the Minerals Council, Second by Councilman Crum.

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

Washington Trip:

Chairman Waller gave appreciation to Councilwoman Boone and Councilman Cheshewalla for taking care of the Council in Washington, D.C. Councilwoman Boone said that she gave her testimony to the Appropriations Sub-Committee with the new Chairman being Sen. Calvert of California. She mentioned that Sen. Cole brushed up on what is happening in the Osage. Afterwards, the day was filled with meetings with Senator Lankford's office and Senator Inhofe's office. Councilwoman Boone added that there should be another meeting before the end of the year. Chairman Waller also added that it should happen before the Federal Consultation Meeting.

May 31 Meeting with Steven Manydeeds:

Chairman Waller was in contact with Mr. Manydeeds, and will be down at the BIA on the last week in May, and the Council will set a time to meet with him on Wednesday, May 31.

Grants: Councilwoman Erwin and Councilman Crum

Councilman Crum pulled this from the Executive Session to discuss.

Councilman Cheshewalla made the motion to go into Executive Session, Second by Councilman Redcorn.

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.

EXECUTIVE SESSION – 11:20 A.M.

12:10 P.M. – Councilwoman Erwin made the motion to come out of Executive Session, Second by Councilwoman Boone.

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

There was no vote coming out of Executive. The Council was given an update by producer Chaparral under their CO2 project. They're looking at approximately 3,400 barrels a day, per Chairman Waller's statement.

OLD BUSINESS

Burbank Materials: Casey Hindman

Councilman Crum made the motion to accept Burbank Materials proposal to expand the quarry by adding 399 acres of new leased ground and eliminating 80 acres; Royalty on all new and previous existing leases will be 10% of sale price and materials from all leases will be scaled at Burbank Materials Scale House and reported on one monthly report reflecting production from all leases, Second by Joseph Cheshewalla.

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

Ford Lease: William Park

Councilman Yates came up with three possible options: Option 1 – to continue 'as is', once the Osage Casino gets done building can he still operate on his lease; Option 2 – Work where they plug and abandon everything and compensate Mr. Park for loss of ownership; Option 3 – Sell it to the Osage Casino and he will continue to operate it. Mr. Park said he could do Option 3. Councilman Yates suggested that a meeting be set up with those that can make those decisions of the property with the oil company and the Minerals Council, so that a decision can be made. Mr. Park agreed. Chairman said that every option that was given will have ramifications to it on the plugging. The Council is going to have to get the payment of the loss of production for the future. Councilman Yates said that Option 3 would be the Casino, Minerals Council, BIA and Mr. Park. Chairman Waller will call Chairman of Osage Gaming and will get back to Deputy Superintendent and the Council. He'd like to get them all in the same room, and let them know of the options. Chairman Waller said that he and Mr. Park will meet Deputy Superintendent Winlock over there, and they meet with the Chairperson of Gaming Commission and CEO Bighorse just to get everyone started in the initial effort, and the Council will bring their attorney. 2nd Chairwoman Red Corn suggested to have the discussion in a regularly scheduled meeting, and Chairman Waller agreed with the next regularly scheduled meeting (June 16, 2017).

Breach of Trust: Councilwoman Erwin

Chairman Waller announced that Councilwoman Erwin said that the information has not been received.

Petro River: Councilwoman Erwin

The Chairman also confirmed from Councilwoman Erwin that she had delivered the information to the Council.

RFPs: Candy Thomas

Information was already covered by Councilman Crum. No discussion was held on this.

Biannual Report:

Councilwoman Erwin had some questions regarding the report that was prepared by Counsel Rebecca Sher and will be postponed to a later date.

Chilocco Alumni Association: Councilman Cheshewalla

Councilman Cheshewalla made the motion to allow the Council to make a donation in the amount of \$500 to the Chilocco Alumni Association, Second by Councilwoman Erwin.

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

Meeting Minutes (8): Oct 10, 17, 29, 2014; Mar. 22, 2017; April 13, 19, 2017; May 1, 5, 2017

Councilman Crum made the motion to no longer have verbatim meeting minutes, Second by 2nd Chairwoman Red Corn.

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

Chairman Waller asked about the review of the remaining minutes, with the exception of April 13 and May 5 (1) minutes. Councilman Redcorn stated that he thinks that we are done with the minutes. No vote was taken.

COMMITTEE REPORTS

Media: Newsletter

Councilwoman Boone made the motion to table the Newsletter, Second by 2nd Chairwoman Erwin.


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


ADJOURNMENT

Councilwoman Boone made the motion to adjourn, Second by Councilman Crum.

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

Adjournment – 12:55 P.M.


Chairman


Executive Administrative Assistant